

**Comprehensive Annual Financial Report
For the City of Roy, Utah
Fiscal Year Ended June 30, 2006**

Prepared by:

**Cathy A. Spencer
Management Services Director**

ROY CITY CORPORATION
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006

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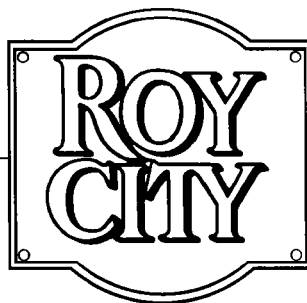
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INTRODUCTORY SECTION



September 1, 2006

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Roy:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of Roy City Corporation for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of Roy City Corporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of Roy City Corporation has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Roy City Corporation's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Roy City Corporation's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Schmitt, Griffiths, Smith & Co., P. C. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Roy City Corporation for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Roy City Corporation's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Roy City Corporation's MD&A can be found immediately following the report of the independent auditors.

Entities receiving funding from the federal government are federally mandated to undergo a "Single Audit" designed to meet the special needs of federal grantor agencies. The Single Audit Act of 1996 and the U. S. Office of Management and Budget's Circular A-133 governing single audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited

government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Although the City received funds under federal financial assistance programs, the revenue was not sufficient to require a single audit.

The State of Utah requires the City to be audited in accordance with Government Auditing Standards (GAO Yellow Book 2003 Revision) and sets forth general requirements for auditors to follow in its Compliance Manual for Audits of Local Governments. The City is responsible for compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort or earmarking; and other special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide.

The comprehensive annual financial report is presented in four sections:

- ❖ *The Introductory Section*, which is unaudited, includes this transmittal letter, the City's Certificate of Achievement for Excellence in Financial Reporting for FY 2005, an organizational chart of the City, and a list of elected and appointed officials.
- ❖ *The Financial Section* includes the MD&A, the basic financial statements, the notes to the financial statements, as well as the independent auditors' report on the financial statements and schedules.
- ❖ *The Statistical Section*, which is unaudited, includes financial and demographic information, usually presented on a multi-year basis.
- ❖ *The Compliance Section* includes the independent auditors' reports on State Legal Compliance and Government Auditing Standards.

Profile of the Government

The City of Roy was incorporated on March 10, 1937 as Roy City Corporation. It is located in the northern part of the state along the Wasatch Front. Hill Air Force Base borders the City on the east and provides employment to many of the City's residents. Roy City Corporation currently occupies a land area of 7.8 square miles and serves a population of approximately 36,000. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

Roy City Corporation operates under the council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of a mayor and five other members, known as the City Council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager. The City Manager is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the City, and for appointing the directors of the various departments. The Mayor and City Council are elected on a non-partisan, at-large basis and serve four-year staggered terms.

Roy City Corporation provides a full range of services, including police and fire protection; water, sewer and sanitation; construction and maintenance of highways, streets, and other infrastructure; and recreational activities. The governing council of the City also serves as the Board of Directors for the Redevelopment Agency of Roy, Utah (RDA). The RDA is a separate legal entity, but due to the oversight responsibilities of the City's governing council in the decision making process, is reported within the financial statements of Roy City Corporation. Additional information on the RDA can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for Roy City Corporation's financial planning and control. All departments of the City are required to submit requests for appropriations to the Budget Officer in March of each year. The Budget Officer and City Manager use these requests as the starting point for developing a tentative budget. The Budget Officer then presents the tentative budget to the governing council at their first meeting in May. The council is required to hold public hearings on the tentative budget and to adopt a final budget no later than June 22nd. The appropriated budget is prepared by fund, and department (e.g., police). Department Directors may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the governing council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the major governmental funds, this comparison is presented on pages 41-42 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than the major governmental funds, this comparison is presented in the governmental fund subsection of this report, which starts on page 80.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Roy City Corporation operates.

Local Economy. The economy in Roy and the State as a whole has improved and is expected to continue into the near future. New home construction continues, but with a limited number of lots available, does so at modest levels. The City continues to see improvement to revenue flows from taxes, including sales tax which the City relies on heavily.

Population in Roy City and surrounding areas continues to move west. This trend has impacted retail businesses which follow the population. Commercial growth along the 3500 West corridor continues with retail establishments as well as professional buildings. Some establishments formerly located within Roy's main business corridor on 1900 West have relocated to the west. As businesses leave, it opens up opportunities for others. Les Schwab Tire Store and Standard Plumbing are two examples. Standard Plumbing has purchased the Herefordshire Shopping Center and is renovating space for a new outlet. Les Schwab, a multi-state tire retailer, purchased older homes and property on 1900 West for its new store. The original Iomega complex saw Iomega's presence nearly disappear. The vacancies were short lived with Stock Building, Ogden/Weber ATC, NUAMES High School, and other businesses eagerly leasing the space. Iomega continues to fill a 90,000 square foot building in the Wasatch Executive Park.

The number of single family and multi-family dwellings continues to slowly increase allowing for more consumers within the City and a marginal increase to property tax revenue. Property taxes are equally as important as sales tax to the City's ability to fund operations. During 2005, the Roy City Council approved an 18.64% increase in the property tax rate. This increase will generate approximately \$300,000 a year to use towards the purchase of fire apparatus, recreational facility improvements, and municipal improvements. The Mayor and City Council strongly believe the Fire Department needs to have a regular rotation and source of funding for fire apparatus. They also believe funds should be set aside to improve or replace the aging infrastructure in the parks and municipal center. The Municipal Building was built at a time when the City had less than half of its current population and employees. Space consideration is a driving factor for future remodeling of the facility.

Employment. Based on current projections and availability of lots, the population of Roy is expected to grow at a slower rate than what has been seen over the last few years. The 2000 census set the City's population at

32,885, with 52% of the population in the labor force. Those in the work force travel an average of twenty-two minutes to work, which indicates that the majority of the working population is employed outside of the City. The median family income is \$53,763, slightly above the national median family income of \$50,046. In June 2006, the local unemployment rate was 3.5%. This is a decrease of 1.1% from the same time in 2005.

Major Employer. One of the major employers of the City's residents is Hill Air Force Base (Hill AFB). Premiere fighter wings including, 75th Air Base Wing, the 388th, and the 419th, make their home at the base. The Ogden Air Logistics Center (the Center) is the host unit and largest organization at Hill AFB. The Center provides worldwide engineering and logistics management for the F-16 Fighting Falcon and A-10 Thunderbolt. It is responsible for repairing various missiles, rocket motors, munitions, and other aerospace related items. Hill AFB is the State's leading employer. More than 23,000 people work at Hill AFB including 13,000 federal civil servants, 4,500 active duty, 4,000 civilian contractors, and 1,200 reservists. From just over 3,000 acres in 1939, Hill AFB has grown to encompass 6,698 acres in both Davis and Weber Counties, with management of an additional 962,076 acres throughout Northern Utah. In addition to the salaries paid to the military and civilian force, Hill AFB spends funds locally for contracts and construction. This results in a national economic impact of \$2.02 billion, more than \$1.2 billion of which benefits Utah's economy. Because of its broad base of expertise and workloads directed by the Base Relocation and Closure Commission to the Ogden Air Logistic Center, Hill AFB's future continues to look promising.

Major Initiatives. Most notably, the largest project within the City this year was the continued construction of Emma Russell Park. The project was partially funded through the National Parks Service by a Land and Water Conservation Fund grant totaling \$383,200. At 34.5 acres, the site is the largest of Roy City's parks. It includes a softball facility, soccer fields, walking track, restrooms, parking lots, and leisure rest areas. A riding arena previously located at the park was taken down. The City Council decided the arena was being used mostly by youth outside of Roy. Additional amenities including parking lot lighting, landscaping, and an 80 foot bowery will be construction in 2006. Activities on the sports facilities should begin in the spring of 2007.

A major element of the property tax increase was to fund repairs or replacement of parks and recreational facilities. In 2006, the Sandridge Park ball field was remodeled to make it safer and more playable. A comprehensive maintenance plan including aeration, fertilization, over-seeding, and top dressing was started on the parks and other green space. A portion of the heating and air-conditioning system at the Recreation Complex was replaced, with additional portions being addressed in the coming year. Enhancements to the ball fields, tower and walkways at West Park are also scheduled for FY 2007.

Storm water has historically challenged Roy City. However, through creative use of park space the City has been able to minimize flooding. Another phase of the Howard Slough Parkway Project was completed by the Public Works crews. The small meandering stream fed by springs and ground water burgeons during storms. The holding capacity of the drainage area has increased significantly through construction and works well during storms to keep homes along the parkway free of flooding. The collaborative effort between Roy City and the Utah State Division of Natural Resources to plant fish in the pond and slough has been an outstanding success. The State highlights Roy City's project as one of its stellar urban fisheries.

The Roy City Fire Department continues to apply for grants to enable it to purchase equipments it may not otherwise be able to obtain. This year, the Department was approved for two grants through the Department of Homeland Security and the Office of Domestic Preparedness Assistance to Firefighters. One allowed for the purchase of a life safety trailer, and the other for 14 new self-contained breather apparatus (SCBA). The SCBA are equipped with integrated communication and pass alarms. The trailer is a self-contained educational facility

focusing primarily on children. It is used to enhance the ability of the Fire Department to instruct youth on potential dangers in their homes.

With the funds available from the property tax increase, the City purchased new ladder and pumper trucks. The trucks being replaced were purchased in 1988 and 1992, respectively. The ladder truck was placed in service in May 2006, while the pumper truck will be available in September 2006. Questions by the public regarding the necessity of a 100-foot ladder were quickly put to rest. On the second day the truck was in service, it was used to save surrounding buildings in a condominium fire.

The Redevelopment Agency of Roy Utah financed the installation of a streetscape beautification project on 5600 South from I-15 to 1900 West. The project incorporated features developed by the Grassli Group and a citizen beautification committee in 2002. Additional areas of 1900 West and Riverdale Road are being beautified with the same features by property owners and developers as development or redevelopment occurs.

Future Initiatives. 4800 South is a major City east/west thoroughfare. After months of construction, improvements to the section from 4300 West to 3500 West were completed. The City has acquired federal funding to widen 4800 South from 2700 West to 1900 West. This multi-million dollar project will complete this key roadway and will provide a much needed center turn lane on the upper portion of the road. No additional right-of-way is necessary to purchase. This project is set to begin in the spring of 2007.

The "Front Runner" commuter rail project by the Utah Transit Authority is moving forward. When completed, the project will allow mass transit trains to run from Brigham City to Salt Lake City with stops along the way in major cities. The new transit system will facilitate commuters in both directions allowing for easy access to business, shopping, cultural, and sporting events. Roy City will have a station and parking area located at 4000 South and will see over forty stops per day. The location of the station is within two blocks of the Wasatch Executive Park and will enhance the opportunity for potential tenants. "Front Runner" is scheduled for completion in mid-2008.

The Redevelopment Agency of Roy Utah continues with planning to construct a city street within the Union Pacific right-of-way from 5600 South to 5400 South. The new road will improve access to the Marketplace Plaza (Harmon's), Walgreens, a proposed hotel east of the right-of-way, and future commercial redevelopment immediately north of Walgreen's.

The Agency has set aside \$50,000 to address some of the issues related to aging housing stock in certain areas of Roy City. A pilot program will be introduced in designated neighborhoods that will provide \$5,000 purchase grants to homebuyers who will agree to occupy the home they buy for a minimum of five years.

Cash Management

Roy City Corporation follows the requirements of the Utah Money Management Act (Act) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The Act also defines the types of securities allowed as appropriate for temporary investments of the City and the conditions for making investment transactions. The provisions of this act substantially protect the City from loss of investment principal; therefore the City's investments are not collateralized as allowed by State law. The City has never lost any invested funds.

Cash temporarily idle during the year was invested with the Utah State Treasurer's Investment Pool (the Pool), which is approved by the Utah Money Management Council. Total funds in custody of the City Treasurer as of June 30, 2006 was \$11,956,506, of which \$11,493,917 were deposited with the State Treasurer's Investment Pool. Statutes allow cities to invest in the Pool, even though deposits are uninsured. The average yield on cash invested in the Pool was 4.1742%. At June 30, 2006, the portfolio yield on an actual 365 day year was 5.0079%.

Risk Management

As a provider of a wide variety of governmental services, the City continues to emphasize risk management. The proliferation of legal actions, ever increasing claims consciousness of the public, and constantly increasing costs of accidents continue to be major concerns. The risk management objectives of Roy City Corporation are (1) the continuity of essential City services, (2) the safety of employees and the public, and (3) the avoidance of unnecessary and unreasonable liability exposure.

The City provides for its general liability risks through a joint protection agreement with the Utah Risk Management Mutual Association (URMMA). URMMA provides for the City's lawful liabilities resulting from bodily injury, property damage, and personal injury. Additional coverage for facilities, assets, errors and omissions, and worker's compensation are provided by commercial policies that are renewed annually.

As part of the City's comprehensive plan, resources are being accumulated in the Risk Management Fund to provide for losses not covered by insurance. Additionally, various risk control techniques, including employee accident prevention training, responsible insurance coverage, and a safety committee are maintained to minimize accident-related losses.

Independent Audit

The State Uniform Fiscal Procedures Act (10-6-151) requires an annual audit of the City's accounts by an independent auditor. The City has complied with this requirement and the auditors' opinion has been included in this report.

Awards and Acknowledgements

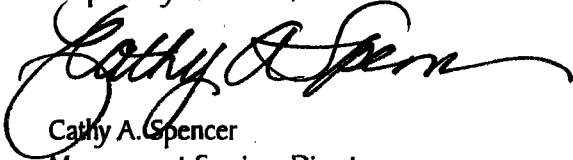
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Roy City Corporation for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Management Services Department. I would like to express my appreciation to all members of the

City who assisted and contributed to the preparation of this report, and to our auditors, Schmitt, Griffiths, Smith & Co., P. C., for their cooperation. Credit must also be given to the Mayor, City Council, and City Manager for their unflinching support for maintaining the highest standards of professionalism in the management of Roy City Corporation's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Cathy A. Spencer", with a stylized, flowing script.

Cathy A. Spencer
Management Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Roy City Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

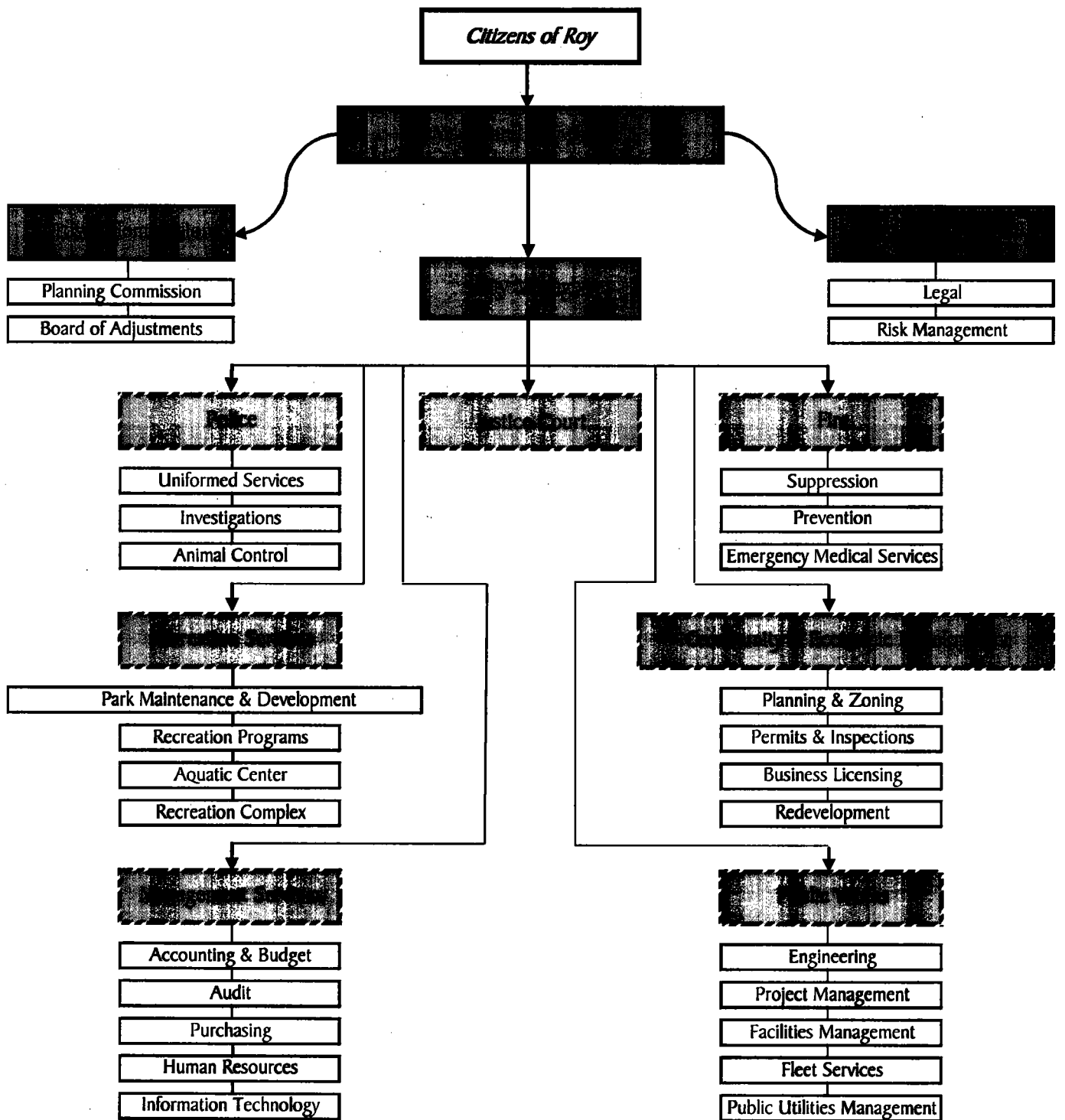


Carol E. Perry

President

Jeffrey R. Enen

Executive Director



ROY CITY CORPORATION
List of Elected and Appointed Officials
June 30, 2006

Elected Officials

Joe H. Ritchie	-----	Mayor
Margie B. Becraft	-----	City Councilperson
Larry J. Peterson	-----	City Councilperson
Tommy J. Smith	-----	City Councilperson
Michael L. Stokes	-----	City Councilperson
David E. Tafoya	-----	City Councilperson

Executive, Legal and Budgetary Officials

Christopher G. Davis	-----	City Manager
Andrew H. Blackburn	-----	City Attorney
Cathy A. Spencer	-----	Budget Officer

Statutory Appointed Officials

Gregory G. Whinham	-----	Chief of Police
Christopher G. Davis	-----	City Recorder
Linda Benson	-----	City Treasurer
Mark T. Miller	-----	City Engineer

Department Directors

Anthony D. Reynolds	-----	Community and Economic Development Director
Jon S. Ritchie	-----	Fire Chief
Cathy A. Spencer	-----	Management Services Director
Michael A. Mansfield	-----	Public Works Director
Virgil C. Howe	-----	Parks & Recreation and Recreational Facilities Director

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FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Roy, Utah

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roy City Corporation as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Roy City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Roy City Corporation, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2006 on our consideration of the Roy City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and non-major fund budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Roy City Corporation basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedules and statistical data listed in the table of contents are presented for

purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Schmitt, Higgins, Smith & Co., P.C.

September 1, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Roy City Corporation's discussion and analysis is designed to assist the reader in focusing on significant financial issues; provide an overview of the City's financial activity; identify changes in the City's financial position; and identify any material deviations from the budget.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to consider the information presented in conjunction with the letter of transmittal and the City's financial statements.

Financial Highlights

- ❖ The City's net assets increased by \$2,540,101. Approximately \$.6 million of the increase is attributable to operations of the utility funds, while \$1.9 million is a result of governmental fund operations.
- ❖ The net assets of Roy City Corporation exceeded its liabilities at the close of the most recent fiscal year by \$59,030,760 (net assets). Of this amount, \$11,724,074 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ❖ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,840,523, a decrease of \$332,783 in comparison with the prior year. Approximately \$4.6 million of the total amount is available for spending at the City's discretion (unreserved fund balance).
- ❖ At the close of the fiscal year, unreserved fund balance for the general fund was \$1,831,994 or 12.32% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances in a manner similar to a private-sector business. The governmental and business-type activities are consolidated into columns which add to a total for the primary government.

The *statement of net assets* presents information on all of the City's assets and liabilities, which is the difference between the two reported as *net assets*. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, the reader will need to consider other non-financial factors. This statement combines and consolidates governmental fund's current financial resources with capital assets and long-term obligations.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Roy City Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Roy City Corporation include general government, public safety, highways and streets, community and economic development, redevelopment, culture and recreation, storm sewer development, and park development. The business-type activities of Roy City Corporation include the Water and Sewer Utility Fund and Storm Sewer Utility Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate entity, the Redevelopment Agency of Roy Utah (RDA) for which Roy City Corporation is financially accountable. Although a legally separate entity, this *blended component unit* is, in substance, part of the City's governmental operations and is included as part of the primary government for financial reporting purposes.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. These funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Roy City Corporation maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the redevelopment fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. Roy City Corporation maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer Utility and for its Storm Sewer Utility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. Roy City Corporation uses internal service funds to account for its management information systems and risk management activities. Because these services predominantly benefit governmental

rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Propriety funds provide the same type of information as the government-wide financial statements, only in more detail. The propriety fund financial statements provide separate information for the Water and Sewer Utility, which is considered to be a major fund of Roy City Corporation and the Storm Sewer Utility, which is considered to be a non-major fund. Conversely, the two internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* within this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Roy City Corporation, assets exceeded liabilities by \$59,030,760 at the close of the most recent year, June 30, 2006.

By far, the largest portion of the City's net assets, 77.20%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$11,724,074 may be used to meet the City's ongoing obligations to citizens and creditors.

The following table reflects the condensed statement of net assets:

Roy City Corporation's Net Assets
(Stated in Thousands of Dollars)
As of June 30

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$11,439	\$11,618	\$ 5,435	\$ 5,366	\$16,874	\$16,984
Capital assets	31,588	28,442	14,931	14,317	46,519	42,759
Total assets	<u>43,027</u>	<u>40,060</u>	<u>20,366</u>	<u>19,683</u>	<u>63,393</u>	<u>59,743</u>
Long-term debt						
Outstanding	2,563	1,649	55	37	2,618	1,686
Other liabilities	1,382	1,205	362	362	1,744	1,567
Total liabilities	<u>3,945</u>	<u>2,854</u>	<u>417</u>	<u>399</u>	<u>4,362</u>	<u>3,253</u>
Net assets:						
Invested in capital assets						
net of related debt	30,644	28,338	14,931	14,317	45,575	42,655
Restricted	1,732	887	-	-	1,732	887
Unrestricted	6,706	7,981	5,018	4,967	11,724	12,948
Total net assets	<u>\$39,082</u>	<u>\$37,206</u>	<u>\$19,949</u>	<u>\$19,284</u>	<u>\$59,031</u>	<u>\$56,490</u>

At the end of the current fiscal year, Roy City Corporation is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities increased Roy City's net assets by \$1,876,076, while business-type activities increased net assets by \$664,025. Key elements of the City's increase in net assets can be found in the table below:

Roy City Corporation's Changes in Net Assets
(Stated in Thousands of Dollars)
As of June 30

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues						
Charges for services	\$ 3,124	\$ 3,215	\$ 5,554	\$ 5,410	\$ 8,678	\$ 8,625
Operating grants and Contributions	1,189	1,152	-	-	1,189	1,152
Capital grants and Contributions	843	585	620	39	1,463	624
General revenues:						
Property taxes	2,882	2,979	-	-	2,882	2,979
Other taxes	6,796	6,233	-	-	6,796	6,233
Investment earnings	496	264	-	-	496	264
Other	132	48	168	172	300	220
Total revenues	<u>15,462</u>	<u>14,476</u>	<u>6,342</u>	<u>5,621</u>	<u>21,804</u>	<u>20,097</u>

Expenses:

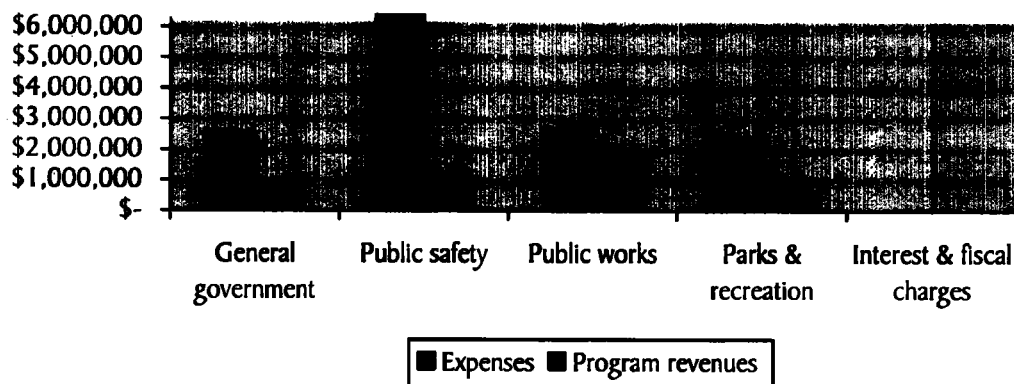
General government	2,581	2,531	-	-	2,581	2,531
Public safety	6,423	6,039	-	-	6,423	6,039
Public works	2,693	2,598	-	-	2,693	2,598
Parks and recreation	2,446	2,100	-	-	2,446	2,100
Interest and fiscal charges	14	28	-	-	14	28
Water and sewer utility	-	-	4,862	4,571	4,862	4,571
Storm sewer utility	-	-	245	157	245	157
Total expenses	<u>14,157</u>	<u>13,296</u>	<u>5,107</u>	<u>4,728</u>	<u>19,264</u>	<u>18,024</u>
Increase in net assets before transfers	1,305	1,180	1,235	893	2,540	2,073
Transfers	<u>571</u>	<u>562</u>	<u>(571)</u>	<u>(562)</u>	<u>-</u>	<u>-</u>
Increase in net assets	1,876	1,742	664	331	2,540	2,073
Net assets – beginning	<u>37,206</u>	<u>35,464</u>	<u>19,285</u>	<u>18,954</u>	<u>56,491</u>	<u>54,418</u>
Net assets – ending	<u>\$39,082</u>	<u>\$37,206</u>	<u>\$19,949</u>	<u>\$19,285</u>	<u>\$59,031</u>	<u>\$56,491</u>

Governmental activities. The governmental activities portion of the increase in net assets accounted for 74% of the total growth for the City as a whole.

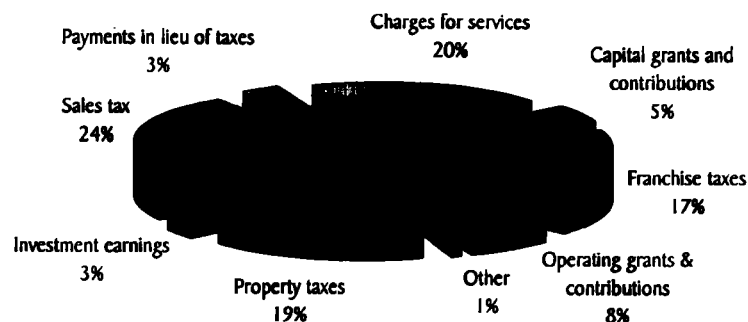
- ❖ Overall, property taxes decreased by \$96,854 in the governmental funds from FY 2005. Property taxes in the general fund decreased by \$112,886, while the increment received by the RDA increased \$16,032. The decrease in the general fund can be attributed to the decrease in delinquent taxes paid and a decrease in revenue estimates from the County.
- ❖ Other taxes were up by \$562,716 over the previous fiscal year. Of that increase \$266,391 or 47% was a result of sales tax, while franchise tax revenue accounted for 43% or \$241,380 of the increase. The remaining portion of the increase came from motor vehicle fees and paramedic aboard fees.
- ❖ Revenue from charges for services decreased by \$91,891 for FY 2006. The largest reduction in revenue, \$149,525, came from discontinuing the charge for central dispatch. Because a special service district was set up on January 1, 2006 to fund central dispatch, the individual governmental units no longer had to supply funding. Roy City in turn stopped charging a fee when the district was created.
- ❖ Other fees charged for services fluctuated from FY 2005 as follows: building and development fees up \$37,561; impact fees down \$15,564; animal licensing and impound fees down \$8,608; ambulance fees down \$29,683; justice court fines up \$39,852; aquatic center fees up \$62,995; recreation fees down \$10,839; recreation complex fees down \$18,167; and cemetery lot and grave fees up \$12,700.
- ❖ Roy City's average yield on investments increased 1.8263% over fiscal year 2005. Investment balances were up at the end of the year, which added with the higher rates allowed income from interest to grow by \$232,231.
- ❖ The City saw significant increases to utility, fuel and vehicle maintenance expenditures. The hurricanes in 2005 caused shortages in natural gas and fuel, which equated to higher prices for consumers. The City's vehicle fleet is aging and the result has been more repairs. The fire department had some of the highest vehicle repairs, which should subside now that two new fire trucks were purchased.

The following graphs display a different perspective on governmental activities reflected in the City's statement of activities:

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



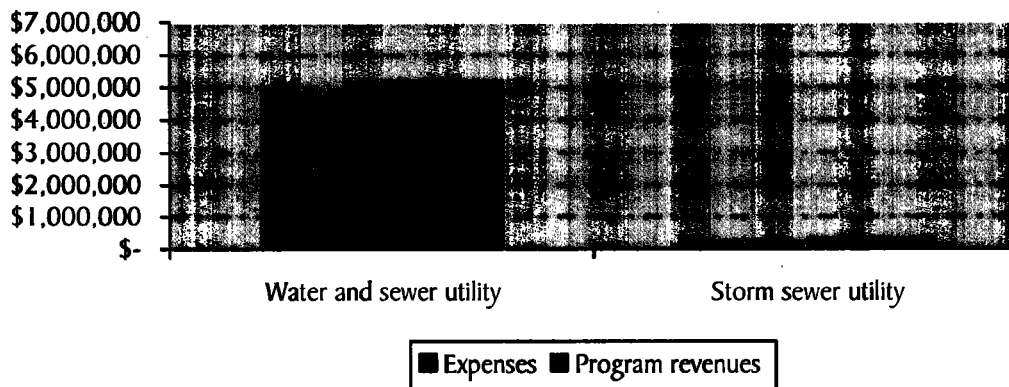
Business-type activities. The business-type activities portion of the increase in net assets was 26% of the total growth for the City. At the end of the current fiscal year, all of the City's business-type funds reported positive net assets.

Key elements of the increase to net assets of business-type activities include:

- ❖ Revenue from water, sewer, storm sewer and garbage services had a modest increase of \$119,785.
- ❖ Impact and connection fees related to new home construction also had a slight increase of \$9,472.
- ❖ Revenue from late fees, shut off fees, and ownership transfers grew by 33%, or \$24,055.

The following graphs display a different perspective on business-type activities reflected in the City's statement of activities:

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, Roy City Corporation uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,840,523, a decrease of \$332,783 from the prior year. Approximately 59%, or \$4,597,688 amount constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of

fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, or 3) for a variety of restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,831,994, while the total fund balance was \$3,489,160. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 12% of total general fund expenditures, while total fund balance represents 23% of that same amount.

During the fiscal year, the fund balance of Roy City Corporation's general fund (budget basis) decreased by \$826,353. Key factors in the change are as follows:

- ❖ The City obtained a capital lease in the amount of \$944,562 and sold an older aerial truck for \$80,000 to purchase a ladder truck and a pumper truck.
- ❖ The City implemented an 18.64% property tax increase.
- ❖ Interest rates are up over FY 2005 adding \$211,288 to the revenue stream.
- ❖ Revenue from licenses and permits, charges for services, and grants was down nearly \$350,000. Although the amounts were down, they were anticipated and exceeded budget expectations.
- ❖ The budget included expending General Fund reserves for capital projects. Funds totaling \$1,259,256 were transferred to the Capital Projects Fund for future expansion of the Municipal Building and matching funds for future expansion of community facilities.
- ❖ City-wide departments worked to keep expenditures down. The majority of departments did not expend all of the budgeted funds which added to the increase in fund balance. General government was under budget by \$88,000; public safety under budget by \$70,000; public works under by \$51,000; and parks and recreation under budget by \$86,000.

Included in the *governmental funds* is \$2,077,802 which is set aside for specific capital projects. The net increase in the capital projects fund balances during the current year of \$1,463,326 was the result of setting money aside for major capital expenditures. At June 30, 2006, fund balances available for specific capital projects include Capital Improvements Plan of \$1,822,336, Aquatic Center Improvements of \$65,025, and Fire & Rescue Facilities and Equipment of \$190,441.

Also included within the *governmental funds* is \$2,273,561 which was raised for specific purposes. These special revenue funds unreserved fund balance decreased by \$890,188 as a result of operations and capital outlay. At June 30, 2006, available fund balances in these special funds included Redevelopment Agency \$1,513,824; Storm Sewer Development \$315,251; Park Development \$334,732; and Cemetery \$109,754.

Proprietary funds. Roy City Corporation's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Utility at the end of the fiscal year amounted to \$4,381,669, and those for the Storm Sewer Utility amounted to \$596,375. The Water and Sewer Utility experienced an increase in net assets of \$301,765, while the Storm Sewer Utility's net assets grew by \$359,437.

Operating revenues for the Water and Sewer Utility increase by 2.54% from the prior year, while expenditures increased 5.72%. The increase in revenue resulted from an increase in usage, and a 2.9% increase in garbage

rates. The increase in garbage rates was the result of an increase from the service provider that was passed along to the customers. The cost of personnel services rose by \$56,940, or 4.89%, while contractual services rose by \$112,343, or 3.65%.

For the Storm Sewer Utility Fund, revenues were up slightly to \$352,666, a .41% increase. Personnel services were down 2.64% and contractual services were up 95.05%. The City implemented a stronger maintenance program for cleaning debris from the system.

General Fund Budgetary Highlights

During the fiscal year, the general fund's original budget for expenditures and other financing uses was amended from an original total of \$13,473,683 to a final budget of \$17,099,151, an increase of \$3,625,468. The increase can be summarized as follows:

- ❖ \$39,779 increase in general government allocated to personnel costs and capital assets
- ❖ \$1,078,299 in increases to public safety, primarily allocated to the fire departments for the purchase of a ladder and pumper truck totaling \$944,562
- ❖ \$252,707 in increases allocated to public works activities, including construction of roads and public improvements
- ❖ \$244,597 in increases for parks and recreation activities primarily allocated to personnel costs, utilities, and capital assets
- ❖ \$2,010,086 increase in transfers to capital project funds to be used for municipal improvements, recreational facility improvements, and fire apparatus.

Of these increases, \$664,525 was to be funded by increases in tax revenue; \$65,400 reduction in charges for services; \$212,000 from investment earnings; \$36,605 from increases in operating and capital grants and contributions; \$92,000 from the sale of assets; \$944,562 from a capital lease; and \$1,726,976 from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus allowing the actual amount drawn from fund balance to be less than expected.

Capital Assets and Debt Administration

Capital assets. Roy City Corporation's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$46,519,368 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, machinery and equipment, vehicles, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 9% (a 11% increase in governmental activities and a 4% increase in business-type activities).

Major capital asset events during the current fiscal year include the following:

- ❖ Construction on Emma Russell Park totaled \$693,576. The project is multi-year and estimated at \$2.2 million.
- ❖ Reconfigure the intersection at Airport Road and Riverdale Road for \$113,369.
- ❖ Continue with improvement to the Howard's Slough and Meadow Creek Pond for \$318,008.
- ❖ Alignment of 4800 South from 3500 West to 4300 West for \$393,453.
- ❖ Install improvements to 5600 S between I-15 and 1900 W for \$17,984.
- ❖ Purchase and equip a 105' heavy duty Pierce aerial ladder truck for \$657,605.

- ❖ Purchase a 1500 GPM Pierce Enforcer pumper truck for \$312,901.
- ❖ Purchase a 2006 Ford Explorer for the Fire Department for \$22,395.
- ❖ Purchase a 2005 Ford F-150 for \$25,656 to be used for GIS mapping.
- ❖ Purchase a 2006 dump truck with plow and spreader for \$133,281.
- ❖ Purchase an asphalt zipper with trailer for \$38,925.
- ❖ Purchase a Bearcat crack sealer for \$35,718.
- ❖ Purchase a 4WD John Deere loader for \$16,695.
- ❖ Purchase a 16' rough mower for \$60,452.
- ❖ Purchase a 2006 Ford F-350 crew cab with dump bed for \$30,915 for the Parks Department.
- ❖ Purchase twelve police patrol vehicles, including equipment for \$301,311.
- ❖ Purchase an animal control truck for \$15,890.
- ❖ Replace heating and air conditioning systems and exercise equipment at the Recreation Complex for \$57,215.
- ❖ Purchase self contained breathing apparatus for the firefighters for \$47,769.
- ❖ Streets, curb and gutter, and sidewalks received from the acceptance of subdivisions totaling \$759,938.

Roy City Corporation's Capital Assets
(Stated in Thousands of Dollars and Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 3,337	\$ 3,224	\$ 9	\$ 9	\$ 3,346	\$ 3,233
Buildings	5,694	5,708	9	9	5,703	5,717
Improvements other than bldgs	25,061	21,842	20,971	18,613	46,032	40,455
Machinery and equipment	3,621	3,452	649	594	4,270	4,046
Automobiles and trucks	5,001	4,705	647	611	5,648	5,316
Construction in progress	1,481	1,572	28	1,360	1,509	2,932
Accumulated depreciation	(12,607)	(12,061)	(7,382)	(6,879)	(19,989)	(18,940)
Total capital assets	<u>\$31,588</u>	<u>\$28,442</u>	<u>\$14,931</u>	<u>\$14,317</u>	<u>\$46,519</u>	<u>\$42,759</u>

Additional information on Roy City Corporation's capital assets can be found in the note 4 on pages 65-66 of this report.

Long-term debt. During the current fiscal year, the City financed the purchase of two new fire trucks through a capital lease. The lease obligates the City for seven years and requires an annual appropriation or renewal by the City Council of an amount equal to the annual lease payment. At year end, the balance due on the lease totaled \$944,562. Lease payments are due semi-annually beginning in August 2006.

At the end of the current fiscal year, the City's blended component unit, the Redevelopment Agency of Roy Utah (RDA), had total bonded debt outstanding of \$355,000. The entire amount of the debt is backed by the full faith and credit of the RDA. The RDA has pledged future tax increment to repay the debt. The City has entered into an annual contribution agreement whereby it agrees to budget an amount equal to the amount by which the payments due on the bonds for any fiscal year exceeds the amount of tax increment available to the RDA for payment.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$36,183,000, which is significantly in excess of Roy City

Corporation's outstanding general obligation debt. In addition, state statutes allow for an additional 4% to be used for water, sewer and electrical projects thus resulting in a debt limit of 8% of total taxable value. The City's water and sewer utility is allowed an additional \$36,183,000 in debt obligation. Currently, the water and sewer utility fund has no outstanding business-type debt.

Additional information on Roy City Corporation's long-term debt activity can be found in note 4 on pages 67-69 of this report.

Economic Factors and Next Year's Budget and Rates

- ❖ The unemployment rate for the Ogden/Clearfield metropolitan area within which Roy City is located, is currently 3.5%. This compares to the state's average unemployment rate of 3.3% and the Mountain West's average of 4.3%.
- ❖ New businesses continue to expand outside of the central business district.
- ❖ Revitalization is taking place in the central business district with the removal or remodel of older structures, making way for new businesses.
- ❖ Economic trends in the region compare favorably to national indices.

These factors were considered in preparing the City's budget for the 2006 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Roy City Corporation's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Management Services Director, 5051 South 1900 West, Roy, Utah 84067.

BASIC FINANCIAL STATEMENTS

ROY CITY CORPORATION
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 7,544,183	\$ 3,448,172	\$ 10,992,355
Restricted cash:			
Class "C" roads	898,954	-	898,954
Investment in water stock	-	16,100	16,100
Interactivity receivable	-	39,227	39,227
Accounts receivable - net of allowance for doubtful accounts	2,448,444	888,141	3,336,585
Internal balances	(550,000)	550,000	-
Inventory	1,056,391	270,776	1,327,167
Prepaid items	41,388	221,883	263,271
Total current assets	11,439,360	5,434,299	16,873,659
Noncurrent assets:			
Capital assets:			
Land	3,336,733	8,865	3,345,598
Buildings	5,693,996	9,339	5,703,335
Improvements other than buildings	25,060,790	20,970,997	46,031,787
Machinery and equipment	3,620,522	648,591	4,269,113
Automobiles and trucks	5,001,374	646,782	5,648,156
Construction in progress	1,481,347	28,331	1,509,678
Less accumulated depreciation	(12,606,602)	(7,381,697)	(19,988,299)
Total capital assets net of accumulated depreciation	31,588,160	14,931,208	46,519,368
Total assets	\$ 43,027,520	\$ 20,365,507	\$ 63,393,027

ROY CITY CORPORATION
Statement of Net Assets, continued
June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 774,322	\$ 352,069	\$ 1,126,391
Accrued wages	154,322	10,154	164,476
Unearned revenue	295,549	-	295,549
Interactivity payable	39,227	-	39,227
Current portion of long-term debt	203,196	9,552	212,748
Total current liabilities	1,466,616	371,775	1,838,391
Long-term liabilities:			
Long-term debt due in more than one year	2,360,088	45,253	2,405,341
Guarantee deposits	118,535	-	118,535
Total liabilities	3,945,239	417,028	4,362,267
NET ASSETS			
Invested in capital assets, net of related debt	30,643,598	14,931,208	45,574,806
Restricted for:			
Debt service	1,299,562	-	1,299,562
Class "C" roads	432,318	-	432,318
Unrestricted	6,706,803	5,017,271	11,724,074
Total net assets	\$ 39,082,281	\$ 19,948,479	\$ 59,030,760

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Statement of Activities
For the Fiscal Year Ended June 30, 2006

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants and
			Contributions
FUNCTIONS/PROGRAMS			
Primary government:			
Governmental activities:			
General government	\$ 2,580,946	\$ 990,947	\$ -
Public safety	6,422,616	954,490	155,113
Public works	2,693,600	197,981	1,033,910
Parks and recreation	2,446,046	980,033	-
Interest and fiscal charges	13,706	-	-
Total governmental activities	<u>14,156,914</u>	<u>3,123,451</u>	<u>1,189,023</u>
Business-type activities:			
Water and sewer utility	4,862,265	5,201,246	-
Storm sewer utility	244,680	352,666	-
Total business-type activities	<u>5,106,945</u>	<u>5,553,912</u>	<u>-</u>
Total primary government	<u>\$ 19,263,859</u>	<u>\$ 8,677,363</u>	<u>\$ 1,189,023</u>
General revenues:			
Property taxes			
Sales tax			
Franchise taxes			
Payments in lieu of taxes			
Unrestricted investment earnings			
Other revenues not restricted to specific programs			
Transfers			
Total general revenues and transfers			
Changes in net assets			
Net assets - beginning, as restated (see footnote 5)			
Net assets - ending			

The notes to the financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (1,589,999)	\$ -	\$ (1,589,999)
82,800	(5,230,213)	-	(5,230,213)
759,938	(701,771)	-	(701,771)
-	(1,466,013)	-	(1,466,013)
-	(13,706)	-	(13,706)
842,738	(9,001,702)	-	(9,001,702)
367,926	-	706,907	706,907
251,451	-	359,437	359,437
619,377	-	1,066,344	1,066,344
<u>\$ 1,462,115</u>	<u>(9,001,702)</u>	<u>1,066,344</u>	<u>(7,935,358)</u>
	2,882,304	-	2,882,304
	3,733,697	-	3,733,697
	2,615,968	-	2,615,968
	446,295	-	446,295
	496,465	-	496,465
	132,292	168,438	300,730
	570,757	(570,757)	-
	<u>10,877,778</u>	<u>(402,319)</u>	<u>10,475,459</u>
	1,876,076	664,025	2,540,101
	<u>37,206,205</u>	<u>19,284,454</u>	<u>56,490,659</u>
	<u>\$ 39,082,281</u>	<u>\$ 19,948,479</u>	<u>\$ 59,030,760</u>

ROY CITY CORPORATION
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Special Revenue Fund Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 3,665,076	\$ 643,246	\$ 2,898,977	\$ 7,207,299
Restricted cash:				
Class "C" roads	898,954	-	-	898,954
Accounts receivable, net	2,448,444	-	-	2,448,444
Inventory	82,572	950,000	23,819	1,056,391
Prepaid items	40,232	-	-	40,232
Total assets	<u><u>\$ 7,135,278</u></u>	<u><u>\$ 1,593,246</u></u>	<u><u>\$ 2,922,796</u></u>	<u><u>\$ 11,651,320</u></u>
LIABILITIES				
Accounts payable	\$ 668,408	\$ 7,785	\$ 85,257	\$ 761,450
Accrued wages payable	152,740	-	-	152,740
Unearned revenue	2,156,435	71,637	-	2,228,072
Guarantee deposits	118,535	-	-	118,535
Advance from other funds	550,000	-	-	550,000
Total liabilities	<u><u>\$ 3,646,118</u></u>	<u><u>\$ 79,422</u></u>	<u><u>\$ 85,257</u></u>	<u><u>\$ 3,810,797</u></u>

ROY CITY CORPORATION
Balance Sheet, continued
Governmental Funds
June 30, 2006

	<u>General</u>	<u>Special Revenue Fund Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 157,482	\$ -	\$ 256,850	\$ 414,332
Inventory & prepaid items	122,804	950,000	23,819	1,096,623
Class "C" roads	432,318	-	-	432,318
Debt service	944,562	355,000	-	1,299,562
Unreserved, reported in:				
General fund	1,781,704	-	-	1,781,704
Capital projects funds	-	-	2,077,802	2,077,802
Special revenue funds	-	73,680	479,068	552,748
Designated, unreserved	50,290	135,144	-	185,434
Total fund balances	<u>3,489,160</u>	<u>1,513,824</u>	<u>2,837,539</u>	<u>7,840,523</u>
Total liabilities and fund balances	<u>\$ 7,135,278</u>	<u>\$ 1,593,246</u>	<u>\$ 2,922,796</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,588,160
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,563,284)
Earned and unavailable revenue is not shown as a liability until available in the funds.	1,932,523
Internal service funds are used by management to charge the costs of information technology and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>284,359</u>
Net assets of governmental activities	<u>\$ 39,082,281</u>

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Special Revenue Fund Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,531,562	\$ 728,344	\$ -	\$ 9,259,906
Payments in lieu of taxes	446,295	-	-	446,295
Licenses and permits	342,186	-	-	342,186
Intergovernmental	1,271,823	-	-	1,271,823
Charges for services	2,579,183	-	-	2,579,183
Impact fees	-	-	158,970	158,970
Fines and forfeitures	613,871	-	-	613,871
Investment earnings	426,689	40,371	29,403	496,463
Property rental	18,390	-	-	18,390
Management fee	183,364	-	-	183,364
Miscellaneous	24,557	-	6,927	31,484
Total revenues	14,437,920	768,715	195,300	15,401,935
Expenditures:				
Current:				
General government	2,433,805	230,007	13,394	2,677,206
Public safety	7,426,956	-	-	7,426,956
Public works	2,789,216	-	-	2,789,216
Parks and recreation	2,113,629	-	-	2,113,629
Debt service:				
Principal retirement	103,872	27,000	-	130,872
Interest and fiscal charges	6,232	13,706	-	19,938
Capital outlay	-	1,017,860	626,796	1,644,656
Total expenditures	14,873,710	1,288,573	640,190	16,802,473
Excess (deficiency) of revenues over (under) expenditures	\$ (435,790)	\$ (519,858)	\$ (444,890)	\$ (1,400,538)

ROY CITY CORPORATION
Statement of Revenues, Expenditures, and Changes in Fund Balances, continued
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Special Revenue Funds Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	\$ (435,790)	\$ (519,858)	\$ (444,890)	\$ (1,400,538)
Other financing sources (uses):				
Sale of capital assets	123,193	-	-	123,193
Capital lease financing	944,562	-	-	944,562
Transfers in	-	-	1,537,886	1,537,886
Transfers out	(1,537,886)	-	-	(1,537,886)
Total other financing sources (uses)	(470,131)	-	1,537,886	1,067,755
Net change in fund balances	(905,921)	(519,858)	1,092,996	(332,783)
Fund balances - beginning of year, as restated (see footnote 5)	4,395,081	2,033,682	1,744,543	8,173,306
Fund balances - end of year	<u>\$ 3,489,160</u>	<u>\$ 1,513,824</u>	<u>\$ 2,837,539</u>	<u>\$ 7,840,523</u>

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 39)	\$ (332,783)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,321,439
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	719,163
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(27,937)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(828,090)
Internal service funds are used by management to charge the cost of information technology and risk management to individual funds. The net revenue or loss of certain activities of internal service funds is reported with governmental activities.	<u>24,284</u>
Change in net assets of governmental activities	<u><u>\$ 1,876,076</u></u>

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Property	\$ 1,917,000	\$ 2,159,588	\$ 2,181,897	\$ 22,309
Sales	3,450,000	3,650,437	3,733,697	83,260
Telecom gross receipts	480,000	496,500	506,368	9,868
Franchise	1,605,028	1,770,028	1,812,200	42,172
Paramedic	287,300	287,300	297,400	10,100
Payments in lieu of taxes	375,000	415,000	446,295	31,295
Licenses and permits	304,366	317,366	342,186	24,820
Intergovernmental	1,247,876	1,284,481	1,271,823	(12,658)
Charges for services	2,580,857	2,500,957	2,579,183	78,226
Fines and forfeitures	610,000	611,500	613,871	2,371
Investment earnings	195,000	407,000	426,689	19,689
Property rental	16,600	16,600	18,390	1,790
Management fee	183,364	183,364	183,364	-
Miscellaneous	20,789	35,989	24,557	(11,432)
Total revenues	<u>13,273,180</u>	<u>14,136,110</u>	<u>14,437,920</u>	<u>301,810</u>
Expenditures:				
General government:				
Legislative	430,584	442,897	420,194	22,703
Legal	203,180	207,380	199,312	8,068
Community & economic development	405,146	405,746	395,380	10,366
Information technology	152,052	155,835	155,835	-
Justice court	143,294	147,995	140,356	7,639
Management services	493,945	502,677	488,168	14,509
Public buildings	429,689	435,139	410,411	24,728
Risk management	212,254	212,254	212,254	-
	<u>2,470,144</u>	<u>2,509,923</u>	<u>2,421,910</u>	<u>88,013</u>
Public safety:				
Animal control	132,519	150,119	140,677	9,442
Fire	2,693,025	3,751,770	3,709,960	41,810
Police	3,572,549	3,574,503	3,555,935	18,568
	<u>6,398,093</u>	<u>7,476,392</u>	<u>7,406,572</u>	<u>69,820</u>

ROY CITY CORPORATION
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual, continued
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/(Negative)
	Original	Final		
Public works:				
Administration	368,805	394,063	385,702	8,361
Class "C" roads	1,286,500	1,472,000	1,451,079	20,921
Fleet services	197,361	200,446	195,870	4,576
Streets	696,832	735,696	718,452	17,244
	<u>2,549,498</u>	<u>2,802,205</u>	<u>2,751,103</u>	<u>51,102</u>
Parks and recreation:				
Aquatic center	382,331	417,412	428,417	(11,005)
Parks and recreation	878,731	1,047,597	973,795	73,802
Recreation complex	684,780	725,430	702,241	23,189
	<u>1,945,842</u>	<u>2,190,439</u>	<u>2,104,453</u>	<u>85,986</u>
Debt service:				
Principal	103,873	103,873	103,872	1
Interest and fiscal charges	6,233	6,233	6,232	1
	<u>110,106</u>	<u>110,106</u>	<u>110,104</u>	<u>2</u>
Total expenditures	<u>13,473,683</u>	<u>15,089,065</u>	<u>14,794,142</u>	<u>294,923</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,503)</u>	<u>(952,955)</u>	<u>(356,222)</u>	<u>596,733</u>
Other financing sources (uses):				
Sale of capital assets	10,000	102,000	123,193	21,193
Capital lease financing	-	943,562	944,562	1,000
Transfers out	-	(2,010,086)	(1,537,886)	472,200
Total other financing sources (uses)	<u>10,000</u>	<u>(964,524)</u>	<u>(470,131)</u>	<u>494,393</u>
Net change in fund balance	<u>(190,503)</u>	<u>(1,917,479)</u>	<u>(826,353)</u>	<u>1,091,126</u>
Fund balance - beginning of year, as restated (see footnote 5)	<u>4,158,030</u>	<u>4,158,030</u>	<u>4,158,030</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,967,527</u>	<u>\$ 2,240,551</u>	<u>\$ 3,331,677</u>	<u>\$ 1,091,126</u>

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Redevelopment Agency - Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Property tax	\$ 704,813	\$ 727,813	\$ 728,343	\$ 530
Investment earnings	11,500	36,500	40,371	3,871
Total revenues	716,313	764,313	768,714	4,401
Expenditures:				
General government	246,417	278,989	230,007	48,982
Debt service:				
Principal retirement	27,000	27,000	27,000	-
Interest and fiscal charges	13,706	13,706	13,706	-
Capital outlay	411,396	422,824	290,110	132,714
Total expenditures	698,519	742,519	560,823	181,696
Net change in fund balance	17,794	21,794	207,891	186,097
Fund balance - beginning of year	1,305,932	1,305,932	1,305,932	-
Fund balance - end of year	<u>\$ 1,323,726</u>	<u>\$ 1,327,726</u>	<u>\$ 1,513,823</u>	<u>\$ 186,097</u>

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION

Statement of Net Assets

Proprietary Funds

June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Total	Activities - Internal Service Funds
ASSETS				
Current assets:				
Cash	\$ 2,895,058	\$ 553,114	\$ 3,448,172	\$ 336,884
Investment in water stock	16,100	-	16,100	-
Advance to other fund	550,000	-	550,000	-
Accounts receivable - net of allowance for doubtful accounts	837,205	50,936	888,141	-
Inventory	268,742	2,034	270,776	-
Prepaid items	221,883	-	221,883	1,156
Total current assets	4,788,988	606,084	5,395,072	338,040
Noncurrent assets:				
Capital assets:				
Land	8,865	-	8,865	-
Buildings	9,339	-	9,339	-
Improvements other than buildings	19,741,224	1,229,773	20,970,997	-
Machinery and equipment	568,314	80,277	648,591	547,447
Automobiles and trucks	646,782	-	646,782	-
Construction in progress	28,331	-	28,331	-
Less accumulated depreciation	(7,301,251)	(80,446)	(7,381,697)	(349,818)
Total capital assets net of accumulated depreciation	13,701,604	1,229,604	14,931,208	197,629
Total assets	18,490,592	1,835,688	20,326,280	535,669

ROY CITY CORPORATION
Statement of Net Assets, continued
Proprietary Funds
June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	347,658	4,411	352,069	12,872
Accrued wages	9,446	708	10,154	1,582
Compensated absences	50,215	4,590	54,805	-
Total current liabilities	407,319	9,709	417,028	14,454
Total liabilities	407,319	9,709	417,028	14,454
NET ASSETS				
Invested in capital assets	13,701,604	1,229,604	14,931,208	197,629
Unrestricted	4,381,669	596,375	4,978,044	323,586
Total net assets	\$ 18,083,273	\$ 1,825,979	19,909,252	\$ 521,215
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			39,227	
Net assets of business-type activities			\$ 19,948,479	

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Total	
Operating revenues:				
Charges for services	\$ 5,201,246	\$ 352,666	\$ 5,553,912	\$ 494,294
Other fees	148,553	-	148,553	-
Other income	14,110	-	14,110	-
Total operating revenue	<u>5,363,909</u>	<u>352,666</u>	<u>5,716,575</u>	<u>494,294</u>
Operating expenses:				
Personnel services	1,219,083	51,277	1,270,360	111,000
Contractual services	3,187,422	137,526	3,324,948	12,844
Materials and supplies	358,482	15,717	374,199	28,405
Other general costs of services	149,577	1,838	151,415	273,914
Depreciation	521,281	38,190	559,471	61,146
Total operating expenses	<u>5,435,845</u>	<u>244,548</u>	<u>5,680,393</u>	<u>487,309</u>
Operating income (loss)	<u>(71,936)</u>	<u>108,118</u>	<u>36,182</u>	<u>6,985</u>
Non-operating revenues/(expenses):				
Gain/(loss) on sale of capital assets	5,775	(132)	5,643	(555)
Total non-operating revenues/(expenses)	<u>5,775</u>	<u>(132)</u>	<u>5,643</u>	<u>(555)</u>
Income (loss) before contributions	(66,161)	107,986	41,825	6,430
Contributions from developers	<u>367,926</u>	<u>251,451</u>	<u>619,377</u>	<u>-</u>
Changes in net assets	301,765	359,437	661,202	6,430
Total net assets - beginning	<u>17,781,508</u>	<u>1,466,542</u>		<u>514,785</u>
Total net assets - ending	<u>\$ 18,083,273</u>	<u>\$ 1,825,979</u>		<u>\$ 521,215</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>2,823</u>	
Change in net assets of business-type activities			<u>\$ 664,025</u>	

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Total	
Cash flows from operating activities:				
Cash received from customers and users	\$ 5,230,647	\$ 351,714	\$ 5,582,361	\$ -
Cash received from interfund activities	-	-	-	494,294
Other income	97,441	-	97,441	-
Payments to suppliers	(3,543,960)	(152,532)	(3,696,492)	(313,441)
Payments to employees	(1,225,071)	(52,144)	(1,277,215)	(111,609)
Payments for interfund services	(126,205)	-	(126,205)	-
Net cash provided by operating activities	<u>432,852</u>	<u>147,038</u>	<u>579,890</u>	<u>69,244</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(394,350)	(161,331)	(555,681)	(58,352)
Proceeds from sale of capital assets	<u>17,846</u>	<u>500</u>	<u>18,346</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(376,504)</u>	<u>(160,831)</u>	<u>(537,335)</u>	<u>(58,352)</u>
Net increase (decrease) in cash	56,348	(13,793)	42,555	10,892
Cash - beginning of year	<u>2,838,710</u>	<u>566,907</u>	<u>3,405,617</u>	<u>325,992</u>
Cash - end of year	<u>\$ 2,895,058</u>	<u>\$ 553,114</u>	<u>\$ 3,448,172</u>	<u>\$ 336,884</u>

ROY CITY CORPORATION
Statement of Cash Flows, continued
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water & Sewer Utility Fund	Storm Sewer Utility Fund	Total	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (71,936)	\$ 108,118	\$ 36,182	\$ 6,985
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	521,281	38,190	559,471	61,146
(Increase) decrease in accounts receivable	(27,944)	(680)	(28,624)	-
Increase (decrease) in allowance for uncollectible accounts	(717)	27	(690)	-
(Increase) decrease in inventory	2,465	(2,034)	431	-
(Increase) decrease in prepaid items	5,640	-	5,640	2,884
Increase (decrease) in accounts payable	10,051	4,284	14,335	(1,162)
Increase (decrease) in accrued wages	(15,129)	(1,276)	(16,405)	(609)
Increase (decrease) in compensated absences	9,141	409	9,550	-
Total adjustments	504,788	38,920	543,708	62,259
Net cash provided by operating activities	\$ 432,852	\$ 147,038	\$ 579,890	\$ 69,244
Non-cash capital and related financing activities:				
Contribution of capital assets from developers	\$ 367,926	\$ 251,451		\$ -
Purchase of equipment on account	31,899	-		2,920
	\$ 399,825	\$ 251,451		\$ 2,920

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Roy Association of Senior Adults</u>
ASSETS	
Cash	\$ 65,197
Total assets	<u>\$ 65,197</u>
NET ASSETS	
Held in trust for RASA	\$ 65,197
Total net assets	<u>\$ 65,197</u>

The notes to the financial statements are an integral part of this statement.

ROY CITY CORPORATION
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	<u>Roy Association of Senior Adults</u>
Additions:	
Investment earnings	<u>\$ 2,679</u>
Total additions	<u>2,679</u>
Changes in net assets	2,679
Total net assets - beginning	<u>62,518</u>
Total net assets - ending	<u><u>\$ 65,197</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

ROY CITY CORPORATION
Notes to the Financial Statements
June 30, 2006

I. Summary of Significant Accounting Policies

This summary of significant accounting policies of Roy City Corporation (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are the representation of the City's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles, as applicable to governmental organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Organization

The City of Roy was incorporated March 10, 1937 as Roy City Corporation. The City is a municipal corporation governed by an elected mayor and five-member council and provides the following services as authorized by its charter; public safety, public utilities, highways and streets, sanitation, social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the GASB Statement #14. Component units are legally separate entities that meet any one of the following three tests. The first test for including a potential component unit within the reporting entity is whether the primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit. A second criterion is whether the potential component unit is fiscally dependent upon the primary government. A third criterion is whether the financial statements would be misleading if data from the potential component unit were not included. A primary government is said to be financially accountable for a component unit if it meets either of the first two criteria. Based upon the application of these criteria, the City has one component unit.

Blended Component Unit. The Redevelopment Agency of Roy Utah (RDA) was established to prepare and carry out plans to improve, rehabilitate, and redevelop blighted areas with the City. The RDA is governed by a board of directors composed of the City's mayor and members of the city council. Although it is a legally separate entity from the City, the RDA is reported as if it were a part of the primary government because of the City's ability to impose its will upon the operations of the RDA. The RDA is included in these financial statements as the Redevelopment Agency Special Revenue Fund.

The RDA does not prepare separately issued financial statements. Financial information for the RDA may be obtained at the City administrative offices.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The use of financial resources to acquire capital assets are shown as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than expenditures in the government-wide financial statements.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Sales and use taxes, franchise taxes, and earned but un-reimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. All other revenues are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City not accounted for by a separate, specialized fund.

The *redevelopment agency special revenue fund* is used to account for specific revenue sources that are legally restricted for the improvement, rehabilitation, and redevelopment of blighted areas with the City.

The City reports the following major proprietary fund:

The *water and sewer utility enterprise fund* is used to account for the activities of the City's water and sewer distribution operations, as well as garbage collection services.

Additionally, the City reports the following fund types:

Internal service funds are used to account for information technology and risk management services provided to various departments on a cost reimbursement basis.

A *fiduciary fund* is maintained for the activities of the Roy Association of Senior Adults, a private-purpose trust fund, which accounts for the resources of a group of senior citizens in the City.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the general fund by various enterprise funds for the providing of administrative services for such funds. Elimination of these charges would distort the total costs and program revenues reported for the various functions concerned.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes and fees in lieu.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash, Deposits, and Investments

Cash includes cash on hand, demand deposits with banks, and deposits in cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (the Fund) and other investments allowed by the State of Utah's Money Management Act.

The Utah Public Treasurer's Investment Fund operates in accordance with state laws and regulations. The reported value of the Fund is the same as the fair value of the Fund shares.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "inter-activity receivable or inter-activity payable". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "interactivity balances".

Advances between funds, as reported in fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

Accounts receivable for services related to governmental activities and trade accounts receivable for business-type activities are shown net of allowance for doubtful accounts. The allowance is calculated using a percentage of total accounts receivable in conjunction with an evaluation of items over 180 days.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Inventories and Prepaid Items

All inventories are valued at cost and accounted for on the first-in, first-out method (FIFO). Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

Certain assets are classified as restricted because their use is restricted by laws and regulations.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial and individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend an asset's useful life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Years
Wells	25
Reservoirs	40 – 50
Water distribution system	50
Sewer collection system	50
Infrastructure	15 – 30
Vehicles	5 – 8
Equipment and machinery	5 – 30
Furniture and fixtures	5 – 10
Software	3 – 5

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Compensated absences are reported in governmental funds only if an employee has resigned or retired and the accrued leave has not been paid out. The accumulated vacation and compensatory time that is not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. Accumulated vacation and compensatory time of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Year-end liabilities for compensated absences are accrued at the employee's current hourly rate for the maximum possible separation benefit.

Sick leave amounts are charged to expenditures when incurred. Employees may accumulate sick leave without limitation. Regular employees accumulate sick leave benefits at the rate of twelve days per year, while firefighters accumulate 6.25 days (24 hour shift) per year. The City has implemented an unused sick leave incentive to increase productivity and encourage longevity within the City. The incentive allows for converting a portion of unused sick leave to either annual leave or a contribution to a City sponsored retirement plan. The incentive is paid annually in December and requires employees to meet strict criteria to be eligible. Employees who retire or separate under favorable conditions are paid a portion of unused sick leave based on years of experience and accumulated sick leave hours.

Long-term Debt

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond discounts and premiums, as well as issuance costs, are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Recaptured losses are a result of the inter-local cooperative agreement with Utah Risk Management Mutual Association. The City reimburses URMMA over a five year period for claims and legal fees paid by them on behalf of Roy City.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

2. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *total governmental fund balances* and *net assets of governmental activities* as reported in the government-wide statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$44,194,762
Accumulated depreciation	(12,606,602)
Total difference	<u>\$31,588,160</u>

Long-term debt transactions:

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets.

Balances at June 30, 2006 were:

Bonds payable	\$ 355,000
Capital lease financing	944,562
URMMA recaptured losses	106,452
Compensated absences	1,157,270
Total difference	<u>\$2,563,284</u>

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

	<u>(40,775)</u>
Total difference	<u>\$719,163</u>

Recognizing revenue from property taxes when assessed versus when collected is another element of the reconciliation. Property taxes assessed in January are considered earned revenue for the government-wide financial statements, while governmental funds do not consider it as revenue until available to provide current financial resources. The details of the difference are as follows:

2006 property tax assessment	\$1,932,523
2005 property tax assessment	<u>(1,960,460)</u>
Total difference	<u>(\$ 27,937)</u>

Another element of the reconciliation is that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of the \$828,090 difference are as follows:

Debt incurred:	
Capital lease financing	(\$944,562)
Principal repayments:	
General obligation debt	27,000
Note payable	110,104
Change in compensated absences	<u>(20,632)</u>
Total difference	<u>(\$828,090)</u>

Another element of the reconciliation is that the use of internal service funds inherently create redundancy, because their expenses are reported a second time as expenditures/expenses in the funds that are billed for the services they provide. Therefore, the net revenue of the activities of internal service funds should be reported with governmental activities. At June 30, 2006, the net revenue of the information technology and risk management internal service funds was \$24,284.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

A final element of the reconciliation is that during the consolidation of internal service funds with governmental activities, all inter-fund transfers between such funds should be eliminated. During the fiscal year ending June 30, 2006, there were no transfers requiring elimination.

Explanation of Differences between Proprietary Fund Statement of Net Assets and the Government-wide Statement of Net Assets

The proprietary fund statement of net assets includes a reconciliation between *net assets – total proprietary funds* and *net assets of business type activities* as reported in the government-wide statements of net assets. The description of the difference is as follows:

Interactivity receivable representing charges in excess of cost to business-type activities – prior years	\$36,404
Interactivity receivable representing charges in excess of cost to business-type activities – current year	<u>2,823</u>
Total difference	<u>\$39,227</u>

3. Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities". Budgets are prepared for all funds excluding fiduciary funds. On or before the first day of April, all agencies of the City submit requests for appropriation to the City Manager and Budget Officer so that a budget can be prepared. On the first Tuesday in May, the proposed budget is presented to the City Council for tentative acceptance. The City Council then reviews, adjusts, and holds a public hearing on the budget. On or before June 22nd, the budget is legally adopted by resolution for the following fiscal year which begins on July 1st. If a property tax increase is proposed, the City shall not adopt its final budget until a public hearing has been held. The latest possible date for adoption of a budget with a property tax increase is August 17th. All annual appropriations lapse at fiscal year end.

Budgets are prepared by fund, function, and department. The fund budgets may be increased any time during the fiscal year by resolution of the City Council and following a public hearing. The City Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. Transfers of unexpended appropriations from one expenditure account to another within the same department can be made by the department director with the consent of the City Manager and Budget Officer.

During the fiscal year, the City Council approved several supplemental budgetary appropriations and transfers of appropriations between departments. Included in the appropriations were increases in the general fund of \$3,625,468; the capital projects fund of \$1,012,886; water and sewer utility of \$91,001; the storm sewer development fund of \$80,000; the redevelopment agency of \$48,000; and the cemetery fund of \$2,000.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Increases in the general fund were attributed to the changes in personnel, operations and maintenance of \$241,368, purchase and construction of capital assets of \$1,374,014 and transfers to other funds of \$2,010,086. The increases in the capital projects fund was for the purchase or construction of capital assets, while the increases in the water and sewer utility, storm sewer development, redevelopment agency and cemetery funds were for operations and purchase and construction of capital assets. Other supplemental appropriations were not considered to be material.

Encumbrance accounting is employed in the governmental funds. Under this method, outstanding purchase orders and contracts are treated similar to expenditures. Accordingly, the financial statements presented in accordance with generally accepted accounting principles differ from the budgetary basis.

Budget/GAAP Reconciliation

The following schedule reconciles individual fund balances under encumbrance accounting (budget) to individual fund balances under GAAP.

	General Fund	Storm Sewer Development Fund	Park Development Fund
Fund balance (budget)	\$3,331,677	\$175,151	\$217,981
Encumbrances	157,483	140,100	116,751
Fund balance (GAAP)	<u>\$3,489,160</u>	<u>\$315,251</u>	<u>\$334,732</u>

Excess of Expenditures over Appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the Aquatic Center department (the legal level of budgetary control) of the general fund by \$11,005. These over expenditures were funded by available and appropriable revenues received in excess of budget expectations.

Tax Revenue

Real property taxes are collected by the County Treasurer and remitted to the City shortly after collection. The tax levy is established by June 15th with a lien date of January 1st. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. An accrual of uncollected current and prior year's property taxes beyond that which was received at final settlement in the first quarter of the calendar year has not been made, as the amount is deemed to be immaterial.

Sales taxes and telecom gross receipts taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Franchise taxes are charged to various utility companies doing business with the City including cable television, natural gas, and electric companies. The fees are remitted on a monthly or quarterly basis and an accrual has been made for all fees due and payable to the City at June 30th.

Cash and Cash Equivalents

For purposes of the statement of cash flows for proprietary and internal service funds, cash equivalents are defined as highly liquid investments, with original maturities of less than ninety days that are held for sale in the ordinary course of business.

4. Detailed Notes for All Funds

Deposits and Investments

Deposits and investments for the City are governed by the Utah Money Management Act (*Utah Code* Annotated, Title 51, Chapter 7, "the Act") and by the rules of the Utah Money Management Council ("the Council"). The following is a discussion of risks related to Roy City's cash management activities.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of the investment may not exceed the period of availability of the funds to be invested.

Custodial credit risk for investments is the risk that the counterparty to an investment will not fulfill its obligations. The City's policy for limiting credit risk for investments is to comply with the Utah Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated. As of June 30, 2006, the City and the Redevelopment Agency had \$10,913,808 and \$580,109, respectively, invested directly with the PTIF. Amounts invested with the PTIF are reported at fair value.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be covered. The City's policy for managing credit risk for deposits is to adhere to the Utah Money Management Act. The Act requires all deposits of the City to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$293,897 of the

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

City's bank balance of \$393,897 was uninsured and uncollateralized. For the Redevelopment Agency, all of its \$63,137 was insured within FDIC limits.

Receivables

Receivables as of year end for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Utility Enterprise Fund	Storm Sewer Utility Enterprise Fund	Total
Taxes	\$1,932,523	\$ -	\$ -	\$1,932,523
Ambulance	689,782	-	-	689,782
Utilities	-	872,144	53,058	925,202
Special assessments	18,347	-	-	18,347
Intergovernmental	55,320	-	-	55,320
Other	159,793	-	-	159,793
Gross receivables	2,855,765	872,144	53,058	3,780,967
Less: allowance for uncollectible accounts	(407,321)	(34,939)	(2,122)	(444,382)
Net total receivables	\$2,448,444	\$837,205	\$50,936	\$3,336,585

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes levied not yet due	\$1,932,523	\$ -
Property taxes received not yet due	-	294,749
Special assessment levied	800	800
	<u>\$1,933,323</u>	<u>\$295,549</u>

Inter-fund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2006, is as follows:

Advances to/from other funds:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water and sewer utility enterprise	General	<u>\$550,000</u>

The funds were used for on-sight improvements of a development within Roy City's central business district. The advance is not expected to be repaid within the next fiscal year.

Inter-fund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Capital improvements plan -- capital projects fund	General	\$1,259,256
Fire & Rescue facilities and equipment -- capital projects fund	General	213,605
Aquatic center improvements -- capital projects fund	General	<u>65,025</u>
		<u>\$1,537,886</u>

The funds will be used for construction of capital assets or major capital repairs. These types of transfers occur on a regular basis as capital projects are approved within the City.

Capital Assets

Depreciation was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 206,868
Public safety	359,703
Public works, including depreciation of general infrastructure Assets	705,287
Parks and recreation	<u>532,553</u>
Total depreciation expense -- governmental activities	<u>\$1,804,411</u>
Business-type activities:	
Water and sewer utility enterprise	\$521,281
Storm water utility enterprise	<u>38,190</u>
Total depreciation expense -- business-type activities	<u>\$559,471</u>

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 3,223,735	\$ 298,267	\$ (185,269)	\$ 3,336,733
Construction in progress	1,572,262	1,254,274	(1,345,189)	1,481,347
Total capital assets not being depreciated	<u>4,795,997</u>	<u>1,552,541</u>	<u>(1,530,458)</u>	<u>4,818,080</u>
Capital assets being depreciated:				
Buildings	5,708,082	1,132	(15,218)	5,693,996
Improvements other than buildings	21,841,620	3,244,852	(25,682)	25,060,790
Machinery and equipment	3,451,484	580,460	(411,422)	3,620,522
Automobiles and trucks	4,705,406	1,323,145	(1,027,177)	5,001,374
Total capital assets being depreciated	<u>35,706,592</u>	<u>5,149,589</u>	<u>(1,479,499)</u>	<u>39,376,682</u>
Less accumulated depreciation for:				
Buildings	(2,519,636)	(148,135)	14,296	(2,653,475)
Improvements other than buildings	(3,686,855)	(875,703)	25,443	(4,537,115)
Machinery and equipment	(2,247,650)	(340,308)	329,741	(2,258,217)
Automobiles and trucks	(3,606,685)	(440,265)	889,155	(3,157,795)
Total accumulated depreciation	<u>(12,060,826)</u>	<u>(1,804,411)</u>	<u>1,258,635</u>	<u>(12,606,602)</u>
Total capital assets being depreciated, net	<u>23,645,766</u>	<u>3,345,178</u>	<u>(220,864)</u>	<u>26,770,080</u>
Governmental activities capital assets, net	<u>\$28,441,763</u>	<u>\$4,897,719</u>	<u>(\$1,751,322)</u>	<u>\$31,588,160</u>
Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,865	\$ -	\$ -	\$ 8,865
Construction in progress	1,359,895	28,331	(1,359,895)	28,331
Total capital assets not being depreciated	<u>1,368,760</u>	<u>28,331</u>	<u>(1,359,895)</u>	<u>37,196</u>
Capital assets being depreciated:				
Buildings	9,339	-	-	9,339
Improvements other than buildings	18,613,520	2,361,261	(3,784)	20,970,997
Machinery and equipment	593,695	79,195	(24,299)	648,591
Automobiles and trucks	610,915	76,067	(40,200)	646,782
Total capital assets being depreciated	<u>19,827,469</u>	<u>2,516,523</u>	<u>(68,283)</u>	<u>22,275,709</u>
Less accumulated depreciation for:				
Buildings	(951)	(235)	-	(1,186)
Improvements other than buildings	(6,140,533)	(400,454)	940	(6,540,047)
Machinery and equipment	(377,331)	(92,531)	20,170	(449,692)
Automobiles and trucks	(360,296)	(66,251)	35,775	(390,772)
Total accumulated depreciation	<u>(6,879,111)</u>	<u>(559,471)</u>	<u>56,885</u>	<u>(7,381,697)</u>
Total capital assets being depreciated, net	<u>12,948,358</u>	<u>1,957,052</u>	<u>(11,398)</u>	<u>14,894,012</u>
Business-type activities capital assets, net	<u>\$14,317,118</u>	<u>\$1,985,383</u>	<u>(\$1,371,293)</u>	<u>\$14,931,208</u>

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Construction Commitments

The City has active construction projects as of June 30, 2006. The projects include street construction in areas with newly developed housing, widening and construction of existing streets and sidewalks, infrastructure improvements, and additions to parks and recreational facilities. At year-end the City's commitments with contractors are as follows:

Project:	
Residential roadway, curb, gutter, and sidewalk construction	\$140,000
Storm water drain and facility construction	140,100
Parks and recreational facilities construction	<u>116,750</u>
Total	<u>\$396,850</u>

Operating Lease

The City leases a backhoe under a noncancelable operating lease. The total cost of the lease was \$6,000 for the year ended June 30, 2006. Future minimum lease payments for the years ending June 30, 2007 are \$6,000.

Long-term Debt

Capital Lease

Roy City has entered into a lease agreement as lessee for financing the acquisition of fire trucks. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The assets acquired through the lease are as follows:

Asset:	
Pierce 105' Heavy Duty Aerial Truck	\$630,661
Pierce 1500 GPM Enforcer Pumper Truck	<u>312,901</u>
	943,562
Less: accumulated depreciation	<u>-</u>
Total	<u>\$943,562</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2006, are as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Year ending June 30	Interest	Principal	Total Lease Payments
2007	\$34,670	\$120,224	\$ 154,894
2008	30,071	124,824	154,895
2009	25,295	129,599	154,894
2010	20,337	134,558	154,895
2011	15,189	139,706	154,895
Thereafter	14,138	295,651	309,789
Total minimum lease payments			1,084,262
Less: amount representing interest			(139,700)
Present value of future minimum lease payments			<u>\$ 944,562</u>

Bonds

In November 1997, the Redevelopment Agency of Roy Utah issued \$615,000 of tax increment and annual appropriation revenue refunding bonds for the purpose of prepaying obligations under a promissory note issued by the RDA to developers of the City Centre project. The prepayment was done to restructure debt payments and to achieve a debt service savings.

The net proceeds from the sale of the Series 1997 refunding bonds of \$605,775 (\$615,000 less a purchaser's discount of \$9,225) along with \$483,621 of RDA funds were used to prepay the RDA's obligation under the note. The bonds were discounted to 98.5% of par, bear interest at a variable rate, and mature on April 1, 2008 and April 1, 2017. The interest rate on \$319,000 of the Series 1997 bonds maturing in 2008 and \$296,000 of bonds maturing in 2017 was originally set at 5.5%. The bond agreement provides for the interest rate to be adjusted to a rate equal to 95% of the equivalent yield of the United States Treasury Bonds beginning in April 2003 and every fifth year thereafter, not to exceed 12% per annum. On April 1, 2003, the interest rate was adjusted to 2.61% through April 1, 2007.

The result of the refunding was a reduction in interest rates from 9% (imputed) on the note to 5.5% variable on the Series 1997 bonds. The refunding decreased total debt service by \$653,245 and resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$152,266.

Annual debt service requirements to maturity for the bonds are as follows:

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

<u>Year ending June 30</u>	<u>Interest</u>	<u>Principal</u>	<u>Total Debt Service</u>
2007	\$10,971	\$ 29,000	\$ 39,971
2008	9,376	30,000	39,376
2009	7,725	29,000	36,725
2010	6,969	30,000	36,969
2011	6,186	32,000	38,186
2012 – 2016	17,904	169,000	186,904
2017	940	36,000	36,940
	<u>\$60,071</u>	<u>\$355,000</u>	<u>\$415,071</u>

Changes in Long-term Debt

During the year ended June 30, 2006, the following activity occurred in liabilities reported as long-term:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 103,873	\$ -	(\$103,873)	\$ -	\$ -
Capital lease	-	944,562	-	944,562	59,548
Bonds payable	382,000	-	(27,000)	355,000	29,000
Recaptured losses	127,810	11,212	(32,570)	106,452	34,813
Compensated absences	1,135,955	743,018	(721,703)	1,157,270	79,835
Governmental activity Long-term liabilities	<u>\$1,749,638</u>	<u>\$1,698,792</u>	<u>(\$885,146)</u>	<u>\$2,563,284</u>	<u>\$203,196</u>
Business-type activities:					
Compensated absences	<u>\$45,255</u>	<u>\$61,467</u>	<u>(\$51,917)</u>	<u>\$54,805</u>	<u>\$9,552</u>

Internal service funds predominantly serve the governmental funds. Accordingly long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$106,452 of internal service funds recaptured losses and \$2,818 of compensated absences are included in the above amounts and are liquidated with internal service fund assets. All other governmental activities compensated absences are liquidated by the general fund.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

5. Other Information

Reservations and Designations of Fund Balances

The City is required to reserve part of its fund balance to account for certain types of revenues, expenditures, and encumbrances. The reserve balances are presented in the statement of net assets and the balance sheet of governmental funds.

Fund balance designations have been established to reflect the administration's tentative plans for the funds and are subject to change. At June 30, 2006, the City had designated fund balance as follows:

Sale of land	\$ 1,000
Traffic school	46,477
Youth court	1,971
Police forfeiture income	842
Future debt repayment	135,144
Total designated fund balance	<u>\$185,434</u>

Prior Period Adjustment

The City made prior period adjustments to correct its application of accounting principles as applied to revenue recognition and compensated absences. The current portion of compensated absences was shown as a current liability on the fund financial statements. Under modified accrual accounting, this obligation should be recognized only when due. In the government-wide financial statements, the liability for earned but unavailable deferred revenue was eliminated by eliminating the receivable rather than recognizing the revenue as soon as it was earned.

Beginning fund balance and net assets have been restated from amounts previously reported as follows:

	General Fund Fund Balance	Information Technology Net Assets	Government-wide Net Assets
June 30, 2005 balance, as originally reported	\$4,059,754	\$393,412	\$35,141,872
Reverse accrual for compensated absences	98,276	2,138	100,413
Recognize unavailable earned revenue	-	-	1,963,920
June 30, 2005 balance, as restated	<u>\$4,158,030</u>	<u>\$395,550</u>	<u>\$37,206,205</u>

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Employee Retirement Systems and Pension Plans

Pension Plan

Plan Description. The City contributes to the Local Government Contributory Retirement System and Local Governmental Non-contributory Retirement System, Public Safety Retirement System for employers with social security coverage, and Firefighters Retirement System for employers with social security coverage which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory System, Public Safety Retirement System for employers with social security coverage, and Firefighters Retirement System which are for employers with social security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102-2099 or by calling 1-800-365-8772.

Funding Policy. For the fiscal year 2005-2006, plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary, all of which is paid by the City for the employee, and the City is required to contribute 7.08% of the employee's annual covered salary. In the Local Governmental Non-contributory Retirement System the City is required to contribute 11.09% of the employee's annual covered salary. In the Public Safety Retirement System Non-contributory Division, the City is required to contribute 19.34% of the employee's annual salary. In the Firefighters Retirement System for employers with social security coverage plan members are required to contribute 8.61% of their annual covered salary, 1.23% of which is paid by the employee and 7.38% which is paid by the City for the employee. The contribution rates are actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The City's contributions to the Local Governmental Contributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were \$7,320, \$6,902, and \$6,195, respectively, and for the Non-contributory Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$317,020, \$297,479, and \$240,018, respectively. City contributions for the Public Safety Non-contributory Retirement System for June 30, 2006, 2005, and 2004 were \$297,794, \$283,811, and \$233,819, respectively, and for the Firefighters Retirement System the contributions for June 30, 2006, 2005, and 2004 were \$91,177, \$93,492, and \$83,266, respectively. The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Deferred Compensation Plan

The City also participates in deferred compensation plans created in accordance with Internal Revenue Code Section 457 and has adopted Governmental Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". As a result, the City's 457 plans are reported as trust funds of the plan administrator rather than as agency funds of the City.

401A Plan

The City provides a 401a plan for employees, which is administered by ICMA Retirement Corporation. All permanent full-time employees, excluding those enrolled in the Utah Public Safety Retirement, along with elected officials and permanent intermittent employees are eligible to participate in the plan. The City contributes 15.45% of earnings for merit participants and 17.64% for firefighters, minus the City's contribution to the Utah State Retirement System on behalf of the participant for the plan year. The contribution rate for administrative participants is 17.37%. Participants are not required to contribute to this plan but may make voluntary after tax contributions. Benefits after termination of employment are paid to individuals based on account balances in lump sum, or as periodic benefit payments, at the option of the participant.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employees are 100% vested and the City owns none of the plan assets. Total payroll for the fiscal year was \$7,376,514 and eligible payroll under this plan was \$5,935,062 for the same period. At June 30, 2006 total plan assets were \$5,464,437. Total contribution requirements were \$325,245, or 5.48% of covered payroll, and were paid by the due dates.

Redevelopment Agency

The Redevelopment Agency of Roy Utah (RDA) consists of four project areas and does not pay tax increment to any other taxing agency. The RDA pays the City a management fee, which totaled \$183,364 for FY 2006. Financial information relating to the project areas for the fiscal year ending June 30, 2006 is as follows:

	Project Area #1	Project Area #2	Project Area #3	Project Area #4	General Redevelopment
Tax increment collected	\$263,964	\$387,413	\$ 61,153	\$15,813	\$ -
Outstanding debt principal	-	-	355,000	-	-
Amount expended for:					
Improvements	14,405	257,721	-	7,913	10,071
Administrative costs	109,897	106,279	1,250	790	13,041
Interest	-	-	12,457	-	-

ROY CITY CORPORATION
Notes to the Financial Statements, Continued
June 30, 2006

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City uses an internal service fund to account for its risk financing activities with the inter-fund premiums being treated as quasi-external transactions. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. At June 30, 2006 and 2005, there were no outstanding claims or judgments that management considered necessary for accrual.

Premiums are paid into the risk management fund by other funds and are available to pay claims, claim reserves and administrative costs of programs. During the fiscal years ending June 30, 2006, 2005, and 2004, there were no reductions in insurance coverage and no settlements exceeded insurance coverage. Surplus retained earnings in the fund are intended for funding future losses and totaled \$136,311 at June 30, 2006.

Contingent Liabilities

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. At June 30, 2006, the City had not been informed by federal or state agencies of any grant violations.

Litigation and Claims

The City is currently named as a defendant in various lawsuits. While the final outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

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Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for specific purposes.

Storm Sewer Development – This fund is used to account for impact fees charged to expand and maintain the City's storm sewer system.

Park Development – This fund is used to account for the impact fees charged for the creation, expansion and maintenance of the City's parks.

Cemetery – This fund is used to account for monies held to expand and maintain the City cemetery. Funding for the cemetery fund comes from 20% of the sales price of cemetery lots.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital assets other than those financed by proprietary funds.

Capital Improvements Plan – This fund is used to account for the acquisition of property, and construction and expansion of facilities.

Fire and Rescue Facilities and Equipment – This fund is used to account for the purchase of major fire equipment such as ladder trucks and ambulances, and construction and expansion of facilities.

Aquatic Center Improvements - This fund is used to account for the replacement of aging infrastructure and improvements to and expansion of the facility.

ROY CITY CORPORATION
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue Funds			
	Storm Sewer Development	Park Development	Cemetery	Total
ASSETS				
Cash	\$ 376,689	\$ 334,732	\$ 109,754	\$ 821,175
Inventory	23,819	-	-	23,819
Total assets	<u>\$ 400,508</u>	<u>\$ 334,732</u>	<u>\$ 109,754</u>	<u>\$ 844,994</u>
LIABILITIES				
Accounts payable	\$ 85,257	\$ -	\$ -	\$ 85,257
Total liabilities	<u>85,257</u>	<u>-</u>	<u>-</u>	<u>85,257</u>
FUND BALANCES				
Reserved for:				
Encumbrances	140,100	116,750	-	256,850
Inventory	23,819	-	-	23,819
Unreserved, undesignated	151,332	217,982	109,754	479,068
Total fund balances	<u>315,251</u>	<u>334,732</u>	<u>109,754</u>	<u>759,737</u>
Total liabilities and fund balances	<u>\$ 400,508</u>	<u>\$ 334,732</u>	<u>\$ 109,754</u>	<u>\$ 844,994</u>

Capital Improvements Plan	Capital Projects Funds			Total Non-Major Governmental Funds
	Fire & Rescue Facilities and Equipment	Aquatic Center Improvements	Total	
\$ 1,822,336	\$ 190,441	\$ 65,025	\$ 2,077,802	\$ 2,898,977
-	-	-	-	23,819
<u>\$ 1,822,336</u>	<u>\$ 190,441</u>	<u>\$ 65,025</u>	<u>\$ 2,077,802</u>	<u>\$ 2,922,796</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,257</u>
-	-	-	-	85,257
-	-	-	-	256,850
-	-	-	-	23,819
<u>1,822,336</u>	<u>190,441</u>	<u>65,025</u>	<u>2,077,802</u>	<u>2,556,870</u>
<u>1,822,336</u>	<u>190,441</u>	<u>65,025</u>	<u>2,077,802</u>	<u>2,837,539</u>
<u>\$ 1,822,336</u>	<u>\$ 190,441</u>	<u>\$ 65,025</u>	<u>\$ 2,077,802</u>	<u>\$ 2,922,796</u>

ROY CITY CORPORATION
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2006

	Special Revenue Funds			
	Storm Sewer Development	Park Development	Cemetery	Total
Revenues:				
Impact fees	\$ 100,970	\$ 58,000	\$ -	\$ 158,970
Investment earnings	17,955	11,448	-	29,403
Miscellaneous	119	-	6,808	6,927
Total revenues	119,044	69,448	6,808	195,300
Expenditures:				
Materials and supplies	13,394	-	-	13,394
Capital outlay	243,777	308,459	-	552,236
Total expenditures	257,171	308,459	-	565,630
Excess (deficiency) of revenues over (under) expenditures	(138,127)	(239,011)	6,808	(370,330)
Other financing sources:				
Transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balance	(138,127)	(239,011)	6,808	(370,330)
Fund balance - beginning of year	453,378	573,743	102,946	1,130,067
Fund balance - end of year	\$ 315,251	\$ 334,732	\$ 109,754	\$ 759,737

Capital Projects Funds				Total
Capital Improvements Plan	Fire & Rescue Facilities and Equipment	Aquatic Center Improvements	Total	Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 158,970
-	-	-	-	29,403
-	-	-	-	6,927
-	-	-	-	195,300
-	-	-	-	13,394
47,616	26,944	-	74,560	626,796
47,616	26,944	-	74,560	640,190
(47,616)	(26,944)	-	(74,560)	(444,890)
1,259,256	213,605	65,025	1,537,886	1,537,886
1,259,256	213,605	65,025	1,537,886	1,537,886
1,211,640	186,661	65,025	1,463,326	1,092,996
610,696	3,780	-	614,476	1,744,543
<u>\$ 1,822,336</u>	<u>\$ 190,441</u>	<u>\$ 65,025</u>	<u>\$ 2,077,802</u>	<u>\$ 2,837,539</u>

ROY CITY CORPORATION
Storm Sewer Development - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Impact fees	\$ 75,000	\$ 90,000	\$ 100,970	\$ 10,970
Investment earnings	12,500	19,000	17,955	(1,045)
Miscellaneous	-	-	119	119
Total revenues	<u>87,500</u>	<u>109,000</u>	<u>119,044</u>	<u>10,044</u>
Expenditures:				
Materials and supplies	-	15,000	13,394	1,606
Capital outlay	<u>385,000</u>	<u>450,000</u>	<u>301,877</u>	<u>148,123</u>
Total expenditures	<u>385,000</u>	<u>465,000</u>	<u>315,271</u>	<u>149,729</u>
Excess (deficiency) of revenues over (under) expenditures	(297,500)	(356,000)	(196,227)	159,773
Fund balance - beginning of year	<u>371,378</u>	<u>371,378</u>	<u>371,378</u>	<u>-</u>
Fund balance - end of year	<u>\$ 73,878</u>	<u>\$ 15,378</u>	<u>\$ 175,151</u>	<u>\$ 159,773</u>

ROY CITY CORPORATION
Park Development - Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Impact fees	\$ 100,000	\$ 57,000	\$ 58,000	\$ 1,000
Investment earnings	4,000	10,500	11,448	948
Total revenues	104,000	67,500	69,448	1,948
Expenditures:				
Capital outlay	718,673	718,673	421,450	297,223
Total expenditures	718,673	718,673	421,450	297,223
Net change in fund balance	(614,673)	(651,173)	(352,002)	299,171
Fund balance - beginning of year	569,983	569,983	569,983	-
Fund balance - end of year	\$ (44,690)	\$ (81,190)	\$ 217,981	\$ 299,171

ROY CITY CORPORATION
Cemetery Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Miscellaneous	\$ 7,000	\$ 9,000	\$ 6,808	\$ (2,192)
Total revenues	7,000	9,000	6,808	(2,192)
Net change in fund balance	7,000	9,000	6,808	(2,192)
Fund balance - beginning of year	102,946	102,946	102,946	-
Fund balance - end of year	<u>\$ 109,946</u>	<u>\$ 111,946</u>	<u>\$ 109,754</u>	<u>\$ (2,192)</u>

ROY CITY CORPORATION
Capital Improvement Plan - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures:				
Capital outlay	\$ 49,840	\$ 649,840	\$ 47,616	\$ 602,224
Total expenditures	49,840	649,840	47,616	602,224
Deficiency of expenditures over revenues	(49,840)	(649,840)	(47,616)	602,224
Other financing sources:				
Transfers in	-	734,256	1,259,256	525,000
Total other financing sources	-	734,256	1,259,256	525,000
Net change in fund balance	(49,840)	84,416	1,211,640	1,127,224
Fund balance - beginning of year	610,696	610,696	610,696	-
Fund balance - end of year	\$ 560,856	\$ 695,112	\$ 1,822,336	\$ 1,127,224

ROY CITY CORPORATION
Fire and Rescue Facilities and Equipment - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Expenditures:				
Capital outlay	\$ -	\$ 27,000	\$ 26,944	\$ 56
Total expenditures	-	27,000	26,944	56
Deficiency of expenditures over revenues	-	(27,000)	(26,944)	56
Other financing sources:				
Transfers in	-	213,605	213,605	-
Total other financing sources	-	213,605	213,605	-
Net change in fund balance	-	186,605	186,661	56
Fund balance - beginning of year	3,780	3,780	3,780	-
Fund balance - end of year	\$ 3,780	\$ 190,385	\$ 190,441	\$ 56

ROY CITY CORPORATION
Aquatic Center Improvements - Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget to Actual
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Other financing sources:				
Transfers In	\$ -	\$ 65,025	\$ 65,025	\$ -
Total other financing sources	-	65,025	65,025	-
Net change in fund balance	-	65,025	65,025	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ 65,025	\$ 65,025	\$ -

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Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis.

Information Technology – This fund is used to account for the accumulation and allocation of costs associated with the electronic data processing. It provides service to all governmental and proprietary funds and is financed by charges made to the other funds.

Risk Management - This fund is used to account for the costs of insurance premiums and claims made against the City. Monies are accumulated in this fund to pay premiums for liability and property damage insurance and other claims. The City participates in the Utah Risk Management Mutual Association for its liability and property damage insurance. Insurance for facilities, equipment and vehicles is purchased from private insurers. The fund is financed by charges made to the general and proprietary funds.

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Net Assets
June 30, 2006

	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 197,117	\$ 139,767	\$ 336,884
Prepays	102	1,054	1,156
Total current assets	<u>197,219</u>	<u>140,821</u>	<u>338,040</u>
Noncurrent assets:			
Capital assets:			
Computer hardware	352,414	-	352,414
Software	195,033	-	195,033
Less accumulated depreciation	<u>(349,818)</u>	<u>-</u>	<u>(349,818)</u>
Total capital assets net of accumulated depr'n	<u>197,629</u>	<u>-</u>	<u>197,629</u>
Total assets	<u>394,848</u>	<u>140,821</u>	<u>535,669</u>
LIABILITIES			
Current liabilities:			
Accounts payable	8,362	4,510	12,872
Accrued wages	<u>1,582</u>	<u>-</u>	<u>1,582</u>
Total current liabilities	<u>9,944</u>	<u>4,510</u>	<u>14,454</u>
Total liabilities	<u>9,944</u>	<u>4,510</u>	<u>14,454</u>
NET ASSETS			
Invested in capital assets	197,629	-	197,629
Unrestricted	<u>187,275</u>	<u>136,311</u>	<u>323,586</u>
Total net assets	<u>\$ 384,904</u>	<u>\$ 136,311</u>	<u>\$ 521,215</u>

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Year Ended June 30, 2006

	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total</u>
Operating revenue:			
Charges for services	\$ 195,344	\$ 298,950	\$ 494,294
Total operating revenue	<u>195,344</u>	<u>298,950</u>	<u>494,294</u>
Operating expenses:			
Personnel services	111,000	-	111,000
Contractual services	12,844	-	12,844
Materials and supplies	18,699	9,706	28,405
Insurance	-	191,963	191,963
Other general costs of services	1,746	80,205	81,951
Depreciation	<u>61,146</u>	<u>-</u>	<u>61,146</u>
Total operating expenses	<u>205,435</u>	<u>281,874</u>	<u>487,309</u>
Operating income (loss)	<u>(10,091)</u>	<u>17,076</u>	<u>6,985</u>
Non-operating expenditures:			
Proceeds from sale of capital assets	<u>(555)</u>	<u>-</u>	<u>(555)</u>
Total non-operating expenditures	<u>(555)</u>	<u>-</u>	<u>(555)</u>
Change in net assets	(10,646)	17,076	6,430
Total net assets - beginning, as restated (see footnote 5)	<u>395,550</u>	<u>119,235</u>	<u>514,785</u>
Total net assets - ending	<u><u>\$ 384,904</u></u>	<u><u>\$ 136,311</u></u>	<u><u>\$ 521,215</u></u>

ROY CITY CORPORATION
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2006

	<u>Information Technology</u>	<u>Risk Management</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from quasi-external activities	\$ 195,344	\$ 298,950	\$ 494,294
Payments to suppliers	(26,638)	(286,803)	(313,441)
Payments to employees	(111,609)	-	(111,609)
Net cash provided by operating activities	<u>57,097</u>	<u>12,147</u>	<u>69,244</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(58,352)	-	(58,352)
Net cash used in capital and related financing activities	<u>(58,352)</u>	<u>-</u>	<u>(58,352)</u>
Net increase (decrease) in cash	(1,255)	12,147	10,892
Cash - beginning of year	<u>198,372</u>	<u>127,620</u>	<u>325,992</u>
Cash - end of year	<u><u>\$ 197,117</u></u>	<u><u>\$ 139,767</u></u>	<u><u>\$ 336,884</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (10,091)	\$ 17,076	\$ 6,985
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	61,146	-	61,146
(Increase) decrease in prepaid items	2,930	(46)	2,884
Increase (decrease) in accounts payable	3,721	(4,883)	(1,162)
Increase (decrease) in accrued wages	(609)	-	(609)
Total adjustments	<u>67,188</u>	<u>(4,929)</u>	<u>62,259</u>
Net cash provided by operating activities	<u><u>\$ 57,097</u></u>	<u><u>\$ 12,147</u></u>	<u><u>\$ 69,244</u></u>
Non-cash investing, capital, and financing activities:			
Purchase of equipment on account	<u><u>\$ 2,920</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,920</u></u>

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

ROY CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2005 and 2006

	<u>2006</u>	<u>2005</u>
Governmental funds capital assets:		
Land	\$ 3,336,733	\$ 3,223,735
Buildings	5,693,996	5,708,083
Improvements other than buildings	25,060,789	22,401,828
Machinery and equipment	3,073,076	3,024,558
Vehicles	5,001,375	4,705,410
Construction in progress	1,893,031	1,921,823
Total governmental funds capital assets	<u>\$ 44,059,000</u>	<u>\$ 40,985,437</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 25,296,533	\$ 24,033,008
Capital projects fund	8,176,507	8,138,347
Special revenue funds	5,577,759	4,565,819
Donations	5,008,201	4,248,263
Total governmental funds capital assets	<u>\$ 44,059,000</u>	<u>\$ 40,985,437</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

ROY CITY CORPORATION
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2006

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment	Vehicles	Construction In Progress	Total
General government:							
Legislative	\$ 414,713	\$ 1,799	\$ 1,785	\$ 20,648	\$ -	\$ -	\$ 438,945
Legal & risk management	-	-	-	6,748	-	-	6,748
Justice court	-	-	-	12,206	-	-	12,206
Community & economic dev.	-	-	-	20,722	43,723	-	64,445
Management services	-	-	-	28,297	-	-	28,297
Public buildings	-	3,055,782	126,818	323,147	129,916	662	3,636,325
Redevelopment agency	-	920	176,825	18,271	-	-	196,016
Total general government	414,713	3,058,501	305,428	430,039	173,639	662	4,382,982
Public safety:							
Animal control	-	-	-	-	55,525	-	55,525
Fire	69,417	910,884	2,013	415,079	1,536,861	312,901	3,247,155
Police	-	-	7,739	533,495	1,155,412	10,059	1,706,705
Total public safety	69,417	910,884	9,752	948,574	2,747,798	322,960	5,009,385
Public works:							
Administration	185,268	-	14,097	24,078	31,476	-	254,919
Class "C" roads	165,000	227,426	6,582,151	216,523	1,308,972	630,245	9,130,317
Shop	-	-	-	73,126	60,395	-	133,521
Streets	334,914	2,406	9,615,989	748,980	231,328	817,639	11,751,256
Total public works	685,182	229,832	16,212,237	1,062,707	1,632,171	1,447,884	21,270,013
Parks and recreation:							
Aquatic center	963,941	-	4,457,171	86,242	-	-	5,507,354
Beautification	-	-	-	11,665	-	-	11,665
Parks	1,203,480	174,931	3,958,485	257,596	282,728	121,525	5,998,745
Recreation	-	456,011	20,522	213,054	134,497	-	824,084
Recreation complex	-	863,837	97,194	63,199	30,542	-	1,054,772
Total parks and recreation	2,167,421	1,494,779	8,533,372	631,756	447,767	121,525	13,396,620
Total governmental funds capital assets	\$ 3,336,733	\$ 5,693,996	\$ 25,060,789	\$ 3,073,076	\$ 5,001,375	\$ 1,893,031	\$ 44,059,000

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

ROY CITY CORPORATION
Capital Assets Used In the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2006

Function and Activity	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
General government:				
Legislative	\$ 661,637	\$ 10,164	\$ 232,856	\$ 438,945
Legal & risk management	6,748	-	-	6,748
Justice court	12,206	-	-	12,206
Community & economic dev.	39,325	47,661	22,541	64,445
Management services	31,788	12,031	15,522	28,297
Public buildings	3,635,629	42,296	41,600	3,636,325
Redevelopment agency	196,016	-	-	196,016
Total general government	4,583,349	112,152	312,519	4,382,982
Public safety:				
Animal control	39,635	15,890	-	55,525
Fire	2,588,394	1,093,253	434,492	3,247,155
Police	1,741,384	306,399	341,078	1,706,705
Total public safety	4,369,413	1,415,542	775,570	5,009,385
Public works:				
Administration	43,994	210,925	-	254,919
Class "C" roads	8,422,571	1,271,682	563,934	9,130,319
Shop	122,513	11,007	-	133,520
Streets	10,949,225	1,746,401	944,371	11,751,255
Total public works	19,538,303	3,240,015	1,508,305	21,270,013
Parks and recreation:				
Aquatic center	5,428,306	116,877	37,831	5,507,352
Beautification	11,665	-	-	11,665
Parks	5,308,268	954,681	264,204	5,998,745
Recreation	756,481	89,687	22,083	824,085
Recreation complex	989,652	73,847	8,726	1,054,773
Total parks and recreation	12,494,372	1,235,092	332,844	13,396,620
Total governmental funds capital assets	\$ 40,985,437	\$ 6,002,801	\$ 2,929,238	\$ 44,059,000

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

This part of Roy City Corporation's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
FINANCIAL TRENDS	96
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
REVENUE CAPACITY	106
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
DEBT CAPACITY	112
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
DEMOGRAPHICS AND ECONOMIC INFORMATION	116
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
OPERATING INFORMATION	118
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

ROY CITY CORPORATION
GOVERNMENT-WIDE EXPENSES BY FUNCTION
Last Four Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Parks and Recreation	Interest and Fiscal Charges	Water Utility	Storm Sewer Utility	Total
2005-06	\$ 2,580,946	\$ 6,422,616	\$ 2,693,600	\$ 2,446,046	\$ 13,706	\$ 4,862,265	\$ 244,680	\$ 19,263,859
2004-05	2,551,374	6,102,834	2,609,811	2,108,559	27,601	4,570,564	156,148	18,126,891
2003-04	2,341,597	5,956,373	1,917,323	1,980,840	35,153	4,435,633	108,650	16,775,569
2002-03	2,673,990	5,649,611	2,291,492	1,766,306	52,682	4,222,921	108,314	16,765,316

Note:

The computation of government-wide expenses began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
GOVERNMENT-WIDE REVENUES
Last Four Fiscal Years

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Unrestricted Investment Earnings</u>	<u>Miscellaneous</u>	<u>Total</u>
2005-06	\$ 8,677,363	\$ 1,189,023	\$ 1,462,115	\$ 9,678,264	\$ 496,465	\$ 132,292	\$ 21,635,522
2004-05	8,625,415	1,152,072	623,329	8,852,773	264,234	47,903	19,565,726
2003-04	8,326,582	1,551,557	2,535,161	7,604,322	166,847	40,960	20,225,429
2002-03	8,957,904	418,096	4,745,797	7,446,276	291,928	71,425	21,931,426

Note:

The computation of government-wide revenues began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
GENERAL GOVERNMENTAL EXPENDITURES (Budget Basis) AND OTHER USES BY FUNCTION
 Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways and Streets	Parks and Recreation	Capital Outlay	Debt Service	Other Financing Uses	Total
2005-06	\$ 2,421,910	\$ 7,406,572	\$ 2,751,103	\$ 2,104,453	\$ -	\$ 110,104	\$ 1,537,886	\$ 16,332,028
2004-05	2,218,865	5,902,467	2,490,537	1,925,333	-	116,337	555,696	13,209,235
2003-04	2,189,415	5,954,467	2,628,713	1,805,393	-	122,570	321,462	13,022,020
2002-03	2,092,671	5,559,930	2,645,894	1,591,269	-	-	971,186	12,860,950
2001-02	1,946,325	4,656,523	1,301,717	1,091,207	1,332,259	-	986,887	11,314,918
2000-01	2,066,879	4,418,677	1,114,283	1,016,115	1,766,285	-	1,248,758	11,630,997
1999-00	1,627,415	4,263,988	996,369	915,853	1,870,325	-	1,299,100	10,973,050
1998-99	1,584,926	3,919,521	913,629	822,698	873,622	30,375	219,144	8,363,915
1997-98	1,412,080	3,613,516	1,026,686	774,850	1,736,290	96,652	480,399	9,140,473
1996-97	1,389,581	3,156,021	823,224	736,743	1,512,543	96,652	917,217	8,631,981

Notes:

General government is limited to the City's general fund.
 In FY '97, '98, and '00-'04, other financing uses included transfers to the Capital Projects Fund for construction of capital assets.
 Beginning in FY '03, capital outlay expenditures are included under the function for which they were acquired.

ROY CITY CORPORATION
GENERAL GOVERNMENTAL REVENUES AND OTHER FINANCING SOURCES
Last Ten Fiscal Years

FISCAL YEAR	TAXES	LICENSES AND PERMITS	INTERGOV- ERNMENTAL	CHARGES FOR SERVICES	FINES AND FORFEITURES	INTEREST AND MISC	OTHER FINANCING SOURCES	TOTAL
2005-06	\$ 8,977,857	\$ 342,186	\$ 1,271,823	\$ 2,579,183	\$ 613,871	\$ 653,000	\$ 1,067,755	\$ 15,505,675
2004-05	8,140,462	348,808	1,478,565	2,679,867	574,018	424,430	13,524	13,659,674
2003-04	7,733,389	365,335	1,523,144	2,470,809	382,495	329,080	156,966	12,961,218
2002-03	7,229,285	443,752	1,496,518	1,916,586	171,388	404,048	530,853	12,192,430
2001-02	7,336,395	331,633	1,245,595	1,593,475	87,990	539,767	-	11,134,855
2000-01	6,921,261	378,449	1,291,508	1,482,737	76,655	826,685	24,876	11,002,171
1999-00	6,507,010	523,349	1,486,572	1,337,608	79,763	1,050,499	-	10,984,801
1998-99	5,850,000	447,602	1,249,353	1,326,636	78,962	667,331	-	9,619,884
1997-98	5,419,308	421,465	1,108,200	1,343,353	73,429	653,290	42,750	9,061,795
1996-97	5,193,913	408,881	729,729	1,117,068	74,946	812,414	-	8,336,951

Note:
General government is limited to the City's general fund.

ROY CITY CORPORATION
CHANGES IN NET ASSETS
Last Four Fiscal Years
(Amounts Expressed in Thousands)

Page 1 of 2

	Fiscal Year			
	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	\$ 2,581	\$ 2,551	\$ 2,342	\$ 2,674
Public safety	6,423	6,103	5,956	5,650
Public works	2,693	2,610	1,917	2,291
Parks and recreation	2,446	2,108	1,981	1,766
Interest and fiscal charges	14	28	35	53
Total governmental activities expenses	<u>14,157</u>	<u>13,400</u>	<u>12,231</u>	<u>12,434</u>
Business-type activities:				
Water and sewer utility	4,862	4,571	4,436	4,223
Storm sewer utility	245	156	108	108
Total business-type activities expenses	<u>5,107</u>	<u>4,727</u>	<u>4,544</u>	<u>4,331</u>
Total primary government expenses	<u>\$ 19,264</u>	<u>\$ 18,127</u>	<u>\$ 16,775</u>	<u>\$ 16,765</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 991	\$ 927	\$ 746	\$ 659
Public safety	954	1,149	825	695
Public works	198	193	166	1,296
Parks and recreation	980	946	1,156	823
Operating grants and contributions	1,189	1,152	1,552	418
Capital grants and contributions	843	585	1,484	3,198
Total governmental activities program revenues	<u>5,155</u>	<u>4,952</u>	<u>5,929</u>	<u>7,089</u>
Business-type activities:				
Charges for services:				
Water and sewer utility	5,201	5,061	5,090	5,148
Storm sewer utility	353	349	343	337
Capital grants and contributions	619	38	1,051	1,548
Total business-type activities program revenues	<u>6,173</u>	<u>5,448</u>	<u>6,484</u>	<u>7,033</u>
Total primary government program revenues	<u>\$ 11,328</u>	<u>\$ 10,400</u>	<u>\$ 12,413</u>	<u>\$ 14,122</u>

ROY CITY CORPORATION
CHANGES IN NET ASSETS
Last Four Fiscal Years
(Amounts Expressed in Thousands)

Page 2 of 2

	Fiscal Year			
	2006	2005	2004	2003
Net (expense)/revenue:				
Governmental activities	\$ (9,002)	\$ (8,448)	\$ (6,302)	\$ (5,345)
Business-type activities	1,066	721	1,940	2,702
Total primary government net expense	<u>\$ (7,936)</u>	<u>\$ (7,727)</u>	<u>\$ (4,362)</u>	<u>\$ (2,643)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 2,882	\$ 2,620	\$ 2,007	\$ 2,266
Sales taxes	3,734	3,467	3,282	3,083
Franchise taxes	2,616	2,365	1,931	1,718
Payments in lieu of taxes	446	401	385	379
Unrestricted investment earnings	496	264	167	274
Other revenues not restricted to specific programs	132	48	41	71
Transfers	571	562	528	536
Total governmental activities	<u>10,877</u>	<u>9,727</u>	<u>8,341</u>	<u>8,327</u>
Business-type activities:				
Other revenues not restricted to specific programs	169	172	-	-
Unrestricted investment earnings	-	-	-	18
Transfers	(571)	(562)	(528)	(536)
Total business-type activities	<u>(402)</u>	<u>(390)</u>	<u>(528)</u>	<u>(518)</u>
Total primary government	<u>\$ 10,475</u>	<u>\$ 9,337</u>	<u>\$ 7,813</u>	<u>\$ 7,809</u>
Change in Net Assets				
Governmental activities	\$ 1,875	\$ 1,279	\$ 2,039	\$ 2,982
Business-type activities	664	331	1,412	2,184
Total primary government	<u>\$ 2,539</u>	<u>\$ 1,610</u>	<u>\$ 3,451</u>	<u>\$ 5,166</u>

Note:

The computation of government-wide expenses began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
NET ASSETS BY COMPONENT
Last Four Fiscal Years
(Amounts Expressed in Thousands)

	Fiscal Year			
	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 30,644	\$ 28,338	\$ 27,997	\$ 24,833
Restricted	1,731	3,009	2,921	2,695
Unrestricted	6,707	3,795	2,945	4,296
Total governmental activities net assets	<u>\$ 39,082</u>	<u>\$ 35,142</u>	<u>\$ 33,863</u>	<u>\$ 31,824</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 14,931	\$ 14,317	\$ 13,948	\$ 13,052
Restricted	-	-	-	-
Unrestricted	5,017	4,967	5,005	4,489
Total business-type activities net assets	<u>\$ 19,948</u>	<u>\$ 19,284</u>	<u>\$ 18,953</u>	<u>\$ 17,541</u>
Primary government				
Invested in capital assets, net of related debt	\$ 45,575	\$ 42,655	\$ 41,945	\$ 37,885
Restricted	1,731	3,009	2,921	2,695
Unrestricted	11,724	8,762	7,950	8,785
Total primary government net assets	<u>\$ 59,030</u>	<u>\$ 54,426</u>	<u>\$ 52,816</u>	<u>\$ 49,365</u>

Note:

The computation of government-wide expenses began in FY 2003 with the implementation of GASB 34. Comparative information prior to that time is not available.

ROY CITY CORPORATION
FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General fund										
Reserved	\$ 1,657	\$ 1,243	\$ 1,639	\$ 1,751	\$ 1,598	\$ 1,758	\$ 2,059	\$ 2,156	\$ 2,197	\$ 1,544
Designated, unreserved	50	36	12	24	18	10	69	71	70	82
Unreserved	1,782	3,018	2,293	2,327	2,805	2,860	3,177	3,083	2,294	2,584
Total general fund	<u>\$ 3,489</u>	<u>\$ 4,297</u>	<u>\$ 3,944</u>	<u>\$ 4,102</u>	<u>\$ 4,421</u>	<u>\$ 4,628</u>	<u>\$ 5,305</u>	<u>\$ 5,310</u>	<u>\$ 4,561</u>	<u>\$ 4,210</u>
All other governmental funds										
Reserved	\$ 1,586	\$ 1,766	\$ 1,282	\$ 1,345	\$ 964	\$ 1,280	\$ 1,196	\$ 1,079	\$ 1,123	\$ 1,270
Designated, unreserved	135	109	97	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	553	1,288	1,521	2,564	3,738	3,153	2,801	2,012	601	368
Capital projects funds	2,078	614	158	(12)	2,228	2,207	1,147	396	1,207	871
Total all other governmental funds	<u>\$ 4,352</u>	<u>\$ 3,777</u>	<u>\$ 3,058</u>	<u>\$ 3,897</u>	<u>\$ 6,930</u>	<u>\$ 6,640</u>	<u>\$ 5,144</u>	<u>\$ 3,487</u>	<u>\$ 2,931</u>	<u>\$ 2,509</u>

ROY CITY CORPORATION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Amounts Expressed In Thousands)

Page 1 of 2

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
Taxes	\$ 9,260	\$ 8,451	\$ 7,507	\$ 7,342	\$ 7,889	\$ 7,437	\$ 7,025	\$ 6,969	\$ 6,443	\$ 5,823
Payments in lieu of taxes	446	401	385	379	-	-	-	-	-	-
Licenses and permits	342	349	365	444	332	378	523	448	421	409
Intergovernmental	1,272	1,737	1,648	1,497	1,246	1,292	1,487	1,249	1,108	730
Charges for services	2,579	2,680	2,471	1,922	1,593	1,483	1,338	1,327	1,343	1,117
Impact fees	159	175	203	416	316	461	1,018	768	895	501
Fines and forfeitures	614	574	382	171	88	77	80	79	73	75
Investment earnings	497	264	167	274	-	-	-	-	-	-
Property rental	18	17	16	35	-	-	-	-	-	-
Management fee	183	167	171	136	-	-	-	-	-	-
Miscellaneous	32	31	25	37	634	1,228	1,045	804	773	842
Total revenues	15,402	14,846	13,340	12,653	12,098	12,356	12,516	11,644	11,056	9,497
Expenditures										
General government	2,677	2,487	2,461	2,437	1,946	2,067	1,629	1,595	1,436	1,355
Public safety	7,427	5,872	5,954	5,560	4,657	4,419	4,264	3,919	3,614	3,157
Public works	2,789	2,635	2,736	2,297	1,301	1,118	1,033	1,108	902	823
Parks and recreation	2,114	1,912	1,802	1,592	1,091	1,016	916	823	775	737
Community development	-	-	-	-	118	128	74	157	663	337
Debt service:										
Principal retirement	131	130	128	130	25	328	97	114	1,648	372
Interest and fiscal charges	20	28	35	53	81	107	115	93	168	93
Capital outlay	1,645	724	1,241	4,613	2,841	2,353	2,958	2,633	1,605	1,923
Total expenditures	16,803	13,788	14,357	16,682	12,060	11,536	11,086	10,442	10,811	8,797

ROY CITY CORPORATION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Amounts Expressed In Thousands)

Page 2 of 2

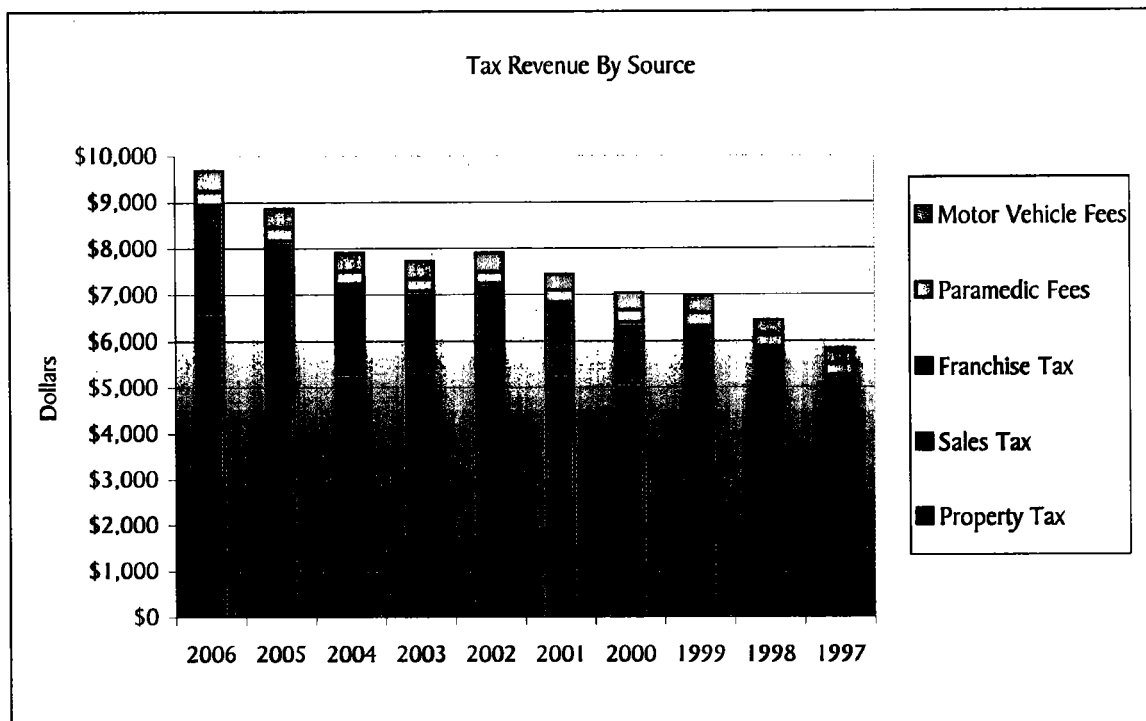
	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Excess of revenues over (under) expenditures	(1,401)	1,058	(1,017)	(4,029)	38	820	1,430	1,202	245	700
Other financing sources (uses)										
Sale of capital assets	123	14	22	6	44	25	245	106	-	-
Capital lease financing	945	-	-	-	-	-	-	-	-	-
Proceeds from issuance of refunding bond	-	-	-	-	-	-	-	-	606	-
Forgiveness of debt	-	-	-	-	-	-	-	-	(80)	-
Contribution from other governmental unit	-	-	-	53	-	-	-	-	-	-
Residual equity transfer from risk management fund	-	-	-	525	-	-	-	-	-	-
Transfers in	1,538	556	444	2,344	987	1,224	1,485	640	443	917
Transfers out	(1,538)	(556)	(444)	(2,344)	(987)	(1,249)	(1,510)	(640)	(443)	(917)
Total other financing sources (uses)	1,068	14	22	584	44	-	220	106	526	-
Net change in fund balances	\$ (333)	\$ 1,072	\$ (995)	\$ (3,445)	\$ 82	\$ 820	\$ 1,650	\$ 1,308	\$ 771	\$ 700

Debt service as a percentage of noncapital expenditures

1.0%	1.2%	1.2%	1.5%	1.1%	4.7%	2.6%	2.7%	19.7%	6.8%
------	------	------	------	------	------	------	------	-------	------

ROY CITY CORPORATION
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Paramedic Fees	Motor Vehicle Fees	Total
2006	\$ 2,882	\$ 3,734	\$ 2,319	\$ 297	\$ 446	\$ 9,678
2005	2,620	3,467	2,077	287	401	8,852
2004	2,007	3,283	1,931	287	385	7,893
2003	2,266	3,083	1,718	275	379	7,721
2002	2,275	3,371	1,589	257	397	7,889
2001	2,212	3,075	1,549	257	343	7,436
2000	2,143	2,940	1,319	257	366	7,025
1999	2,452	2,732	1,134	279	372	6,969
1998	2,281	2,574	1,009	257	321	6,442
1997	1,780	2,516	955	257	314	5,822



ROY CITY CORPORATION
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

Fiscal Year	Real Property			Personal Property		Roy City Taxable Property Value	RDA Tax Increment Value	Total Taxable Assessed Value	Total Direct City Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Estate	Building	Mobile Homes	Other	Centrally Assessed Property						
2006	\$ 224,519	\$ 669,961	\$ 5,956	\$ 29,417	\$ 25,284	\$ 904,564	\$ 50,573	\$ 955,137	2.514	\$ 1,575,436	60.63%
2005	218,424	653,538	6,275	34,751	24,379	884,584	52,783	937,367	2.144	1,542,451	60.77%
2004	214,196	641,116	6,523	37,821	24,913	912,484	12,085	924,569	2.080	1,518,354	60.89%
2003	207,234	626,795	6,951	37,918	25,269	865,787	38,380	904,167	2.065	1,486,006	60.85%
2002	201,376	605,703	7,973	44,787	24,409	833,395	50,853	884,248	2.060	1,446,721	61.12%
2001						774,267	31,674	805,941	2.225	1,450,227	55.57%
2000						665,662	37,643	703,305	2.465	1,118,225	62.89%
1999						554,211	85,234	639,445	2.438	1,018,999	62.75%
1998						524,696	76,257	600,953	2.408	958,445	62.70%
1997						461,906	44,832	506,738	2.554	830,158	61.04%

Source: Weber County Auditor/Clerk's office & Weber County Treasurer's office.

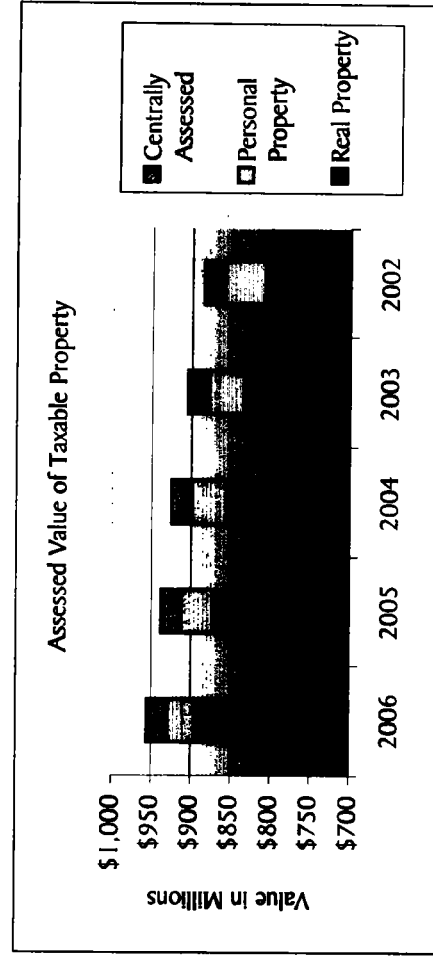
Notes:

Taxable property value is based on the calendar year ending six months before the fiscal year ends.

Beginning in 2002, the City began reporting property values based on classification.

Classification information on prior years was not available.

Total property value is excluding fee-in-lieu.



Year	Real Property Taxable Value			Residential Construction		Commercial Construction		Other Construction		Bank Deposits	
	Commercial	Residential		Total	Units	Value	Units	Value	Units		Value
2006	\$ 133,782	\$ 759,312	\$ 1,386	\$ 894,480	146	\$ 11,032	24	\$ 6,186	243	\$ 700	\$ 11,951
2005	129,626	740,807	1,529	871,962	163	13,844	35	3,972	251	1,597	11,950
2004	123,305	730,711	1,296	855,312	188	14,204	46	3,608	194	560	11,516
2003	113,364	719,173	1,492	834,029	266	21,353	52	1,695	195	273	11,584
2002	104,471	701,005	1,603	807,079	361	27,720	48	4,458	134	375	15,619
2001					429	38,878	5	2,555	254	5,148	14,959
2000					574	44,717	28	5,847	164	849	15,226
1999					520	42,550	21	7,572	128	1,353	13,931
1998					767	43,105	25	2,238	128	1,950	12,215
1997					483	41,990	43	3,869	47	33	12,025

Note:

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ROY CITY CORPORATION
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 Per \$1000 Assessed Valuation

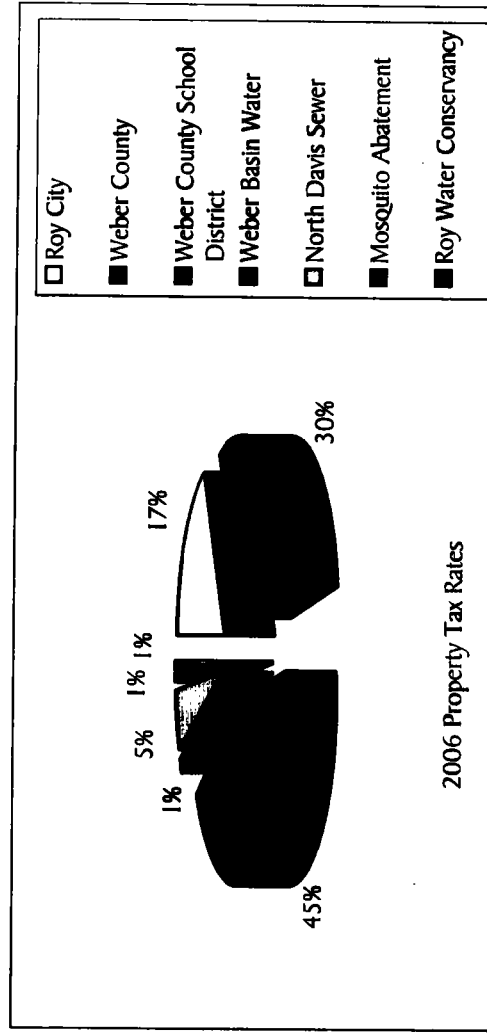
Fiscal Year	Roy City	Weber County	Weber County School District	Weber Basin Water Conservancy District	North Davis County Sewer District	Weber County Mosquito Abatement District	Roy Water Conservancy Subdistrict	Total Levy for Roy City Residents
2006	2.514	4.284	6.427	0.193	0.763	0.110	0.119	14.410
2005	2.144	3.663	6.245	0.198	0.763	0.112	0.120	13.245
2004	2.080	3.609	6.061	0.196	0.763	0.111	0.116	12.936
2003	2.065	3.629	5.902	0.193	0.763	0.111	0.115	12.778
2002	2.060	3.647	5.764	0.193	0.763	0.111	0.115	12.653
2001	2.225	4.012	5.790	0.200	0.763	0.118	0.125	13.233
2000	2.465	4.231	5.930	0.139	0.732	0.125	0.138	13.760
1999	2.438	3.359	6.032	0.141	0.708	0.127	0.137	12.942
1998	2.408	3.850	6.047	0.145	0.680	0.125	0.134	13.389
1997	2.554	4.098	6.345	0.154	0.700	0.132	0.142	14.125

Source: Utah State Tax Commission - Property Tax Division office and web site.

Notes:

Overlapping rates are those of local and county governments that apply to property owners within Roy City. Not all overlapping rates apply to all Roy City property owners (e.g., the rates for special districts apply only to the property owners whose property is located within the geographic boundaries of the special district).

The total levy for Roy City residents does not include the Central Weber Sewer Improvement District or the Hooper Water Improvement District due to the small number of properties located within those districts.



ROY CITY CORPORATION
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago
(Amounts Expressed in Thousands)

Taxpayer	Type of Business	2006		Percentage of Total Taxable Assessed Value	1997		Percentage of Total Taxable Assessed Value
		Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Boyer Iomega	Business Park	\$ 25,676	1	2.69%	\$ 20,520	1	4.05%
IBP Funding	Business Park	9,395	2	0.98%			
Orchard Cove LTD	Residential properties	8,195	3	0.86%			
Pacificorp	Utility	7,662	4	0.80%	5,795	3	1.14%
Questar Gas	Utility	7,014	5	0.73%	4,732	6	0.93%
K B Family Roy LLC	Retail properties	5,500	6	0.58%			
Boydean B Frazier Family Trust	Retail properties	5,131	7	0.54%			
Qwest Communications	Utility	4,622	8	0.48%	4,199	7	0.83%
Harmon City Inc	Retail properties	4,498	9	0.47%	3,451	9	0.68%
Roy Marketplace LC	Retail properties	4,174	10	0.44%	3,528	8	0.70%
Danson/Birtcher Realty Income	Retail properties				7,674	2	1.51%
Roy City Centre Realty Limited	Retail properties				6,340	4	1.25%
Iomega	Retail properties				5,184	5	1.02%
Winegars Super Markets Inc	Retail properties				2,799	10	0.55%
Total taxable value of 10 largest taxpayers		81,867		8.57%	64,222		12.67%
Total taxable value of other taxpayers		873,270		91.43%	442,516		87.33%
Total taxable value of all taxpayers		<u>\$ 955,137</u>		100.00%	<u>\$ 506,738</u>		100.00%

Source: Weber County Treasurer's Office

ROY CITY CORPORATION
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Dollar Values Expressed in Thousands)

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collected to Total Levy</u>
General Fund						
2006	\$ 2,261	\$ 2,123	93.90%	\$ 59	2,182	96.51%
2005	1,894	1,790	94.51%	117	1,907	100.69%
2004	1,897	1,793	94.52%	56	1,849	97.47%
2003	1,788	1,709	95.58%	66	1,775	99.27%
2002	1,725	1,628	94.38%	94	1,722	99.83%
2001	1,723	1,648	95.65%	49	1,697	98.49%
2000	1,641	1,573	95.86%	51	1,624	98.96%
1999	1,351	1,282	94.89%	51	1,333	98.67%
1998	1,263	1,215	96.20%	43	1,258	99.60%
1997	1,166	1,129	96.83%	22	1,151	98.71%
Redevelopment Agency Special Revenue Fund						
2006	\$ 728	\$ 728	100.00%	\$ -	728	100.00%
2005	699	699	100.00%	13	712	101.86%
2004	156	121	77.56%	37	158	101.28%
2003	550	480	87.27%	11	491	89.27%
2002	643	553	86.00%	-	553	86.00%
2001	423	509	120.33%	7	516	121.99%
2000	518	518	100.00%	-	518	100.00%
1999	1,103	1,113	100.91%	6	1,119	101.45%
1998	1,021	1,024	100.29%	-	1,024	100.29%
1997	628	629	100.16%	-	629	100.16%

Source: Weber County Treasurer's Office

Note:

Delinquent tax collections are for any previous year collected during the current year.

ROY CITY CORPORATION
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Lease	Notes Payable	URMMA Recaptured Losses			
2006	\$ 355,000	\$ 944,562	\$ -	\$ 106,452	\$ 1,406,014	0.17%	\$ 39.91
2005	382,000	-	103,873	127,810	613,683	0.08%	17.42
2004	408,000	-	208,053	-	616,053	0.09%	17.50
2003	432,000	-	316,270	-	748,270	0.11%	21.49
2002	458,000	-	428,544	-	886,544	0.14%	25.90
2001	483,000	-	24,228	-	507,228	0.08%	15.23
2000	810,672	-	339,383	-	1,150,055	0.20%	34.97
1999	908,131	-	426,159	-	1,334,290	0.23%	39.18
1998	653,000	30,017	487,304	-	1,170,321	0.21%	36.09
1997	635,000	122,720	2,741,706	-	3,499,426	0.67%	115.32

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See the Schedule of Demographic and Economic Statistics for personal income and population data.

ROY CITY CORPORATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Estimated Actual Value of Taxable Property	Net Bonded Debt per Capita
2006	\$ 355,000	\$ -	\$ 355,000	0.02%	\$ 10.08
2005	382,000	-	382,000	0.02%	10.84
2004	408,000	-	408,000	0.03%	11.59
2003	432,000	-	432,000	0.03%	12.40
2002	458,000	-	458,000	0.03%	13.38
2001	483,000	-	483,000	0.03%	14.50
2000	810,672	-	810,672	0.07%	24.65
1999	908,131	-	908,131	0.09%	26.66
1998	653,000	-	653,000	0.07%	20.14
1997	635,000	-	635,000	0.08%	20.93

Source: Weber County Auditor/Clerk's office & US Census Bureau

Notes:

Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for population data.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

ROY CITY CORPORATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of June 30, 2006

<u>Governmental Unit</u>	<u>General Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable to Roy City</u>	<u>Estimated Share of Overlapping Debt</u>
North Davis County Sewer District	\$ 60,397,000	15.58%	\$ 9,409,601
Roy Water Conservancy Subdistrict	2,585,000	100.00%	2,585,000
State of Utah	1,377,390,000	0.48%	6,611,608
Weber Basin Water Conservancy District	33,806,619	5.00%	1,690,567
Weber County	25,120,000	11.63%	2,922,094
Weber County School District	61,570,000	17.90%	11,021,345
Overlapping debt			\$ 34,240,215
Roy City bonded debt		100.00%	355,000
Total direct and overlapping general bonded obligation debt			\$ <u>34,595,215</u>

Source: Individual governmental unit

Note:

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by taking Roy City's taxable property value and dividing by the governmental unit's taxable property value.

ROY CITY CORPORATION
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt Limit	\$ 36,183	\$ 35,383	\$ 36,499	\$ 34,631	\$ 33,336	\$ 30,971	\$ 26,626	\$ 22,168	\$ 20,988	\$ 18,476
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 36,183</u>	<u>\$ 35,383</u>	<u>\$ 36,499</u>	<u>\$ 34,631</u>	<u>\$ 33,336</u>	<u>\$ 30,971</u>	<u>\$ 26,626</u>	<u>\$ 22,168</u>	<u>\$ 20,988</u>	<u>\$ 18,476</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total assessed value				<u>\$ 904,564</u>						
Debt limit (4% of total assessed value)				\$ 36,183						
Debt applicable to limit:										
Total bonded debt			\$ -							
Less:										
Special assessment bonds			-							
Revenue bonds			-							
Amounts available for repayment of general obligation bonds			-							
Other deductions allowed by law			-							
Total net debt applicable to limit										
Legal debt margin				<u>\$ 36,183</u>						

Note: Does not include values for the Redevelopment Agency Special Revenue Fund.

ROY CITY CORPORATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2006	35,229	\$ 819,085,056	\$ 23,250	5.1%
2005	35,235	758,412,089	21,524	5.8%
2004	35,197	704,189,497	20,007	6.5%
2003	34,826	659,353,462	18,933	6.2%
2002	34,227	635,827,832	18,577	5.1%
2001	33,300	618,509,564	18,574	4.3%
2000	32,885	585,155,690	17,794	3.3%
1999	34,059	546,016,416	16,031	4.8%
1998	32,428	520,511,360	16,051	3.9%
1997	30,346	483,297,456	15,926	4.2%
1996	29,116	447,083,678	15,355	3.5%

Source: US Census Bureau, State of Utah Governor's Office web sites, and Department of Workforce Services

Notes:

All figures for 2000 are from the 2000 US Census.

Population figures from 2001-2006 are estimates as of the previous year based on the US Census' population estimates. Program and population figures from 1997-1999 are estimates based on new home construction.

Personal income figures, other than 2000, are estimates based on annual growth rates for the State of Utah.

Unemployment figures, other than 2000, are rates for Weber County. Information on a city level is not available.

**ROY CITY CORPORATION
PRINCIPAL EMPLOYERS
Current Year and Two Years Ago**

Employer	Type of Business	Fiscal Year			
		2006		2004	
		Employees	Rank	Employees	Rank
Hill Air Force Base	United States Air Force / Logistics	20,000 - 25,000	1	20,000 - 25,000	1
Internal Revenue Service	Federal Government	5,000 - 6,999	2	5,000 - 6,999	2
Weber School District	Public Education	3,000 - 3,999	3	3,000 - 3,999	3
Autoliv ASP	Manufacturing	2,000 - 2,999	4	2,000 - 2,999	4
McKay-Dee Hospital	Health Care	2,000 - 2,999	4	2,000 - 2,999	4
Weber State University	Higher Education	2,000 - 2,999	4	3,000 - 3,999	3
Convergys	Call Center	1,000 - 1,999	5	1,000 - 1,999	5
Fresenius USA, Inc.	Manufacturing	1,000 - 1,999	5	1,000 - 1,999	5
Ogden School District	Public Education	1,000 - 1,999	5	1,000 - 1,999	5
State of Utah	State Government	1,000 - 1,999	5	1,000 - 1,999	5
Wal-Mart	Retail	1,000 - 1,999	5	1,000 - 1,999	5

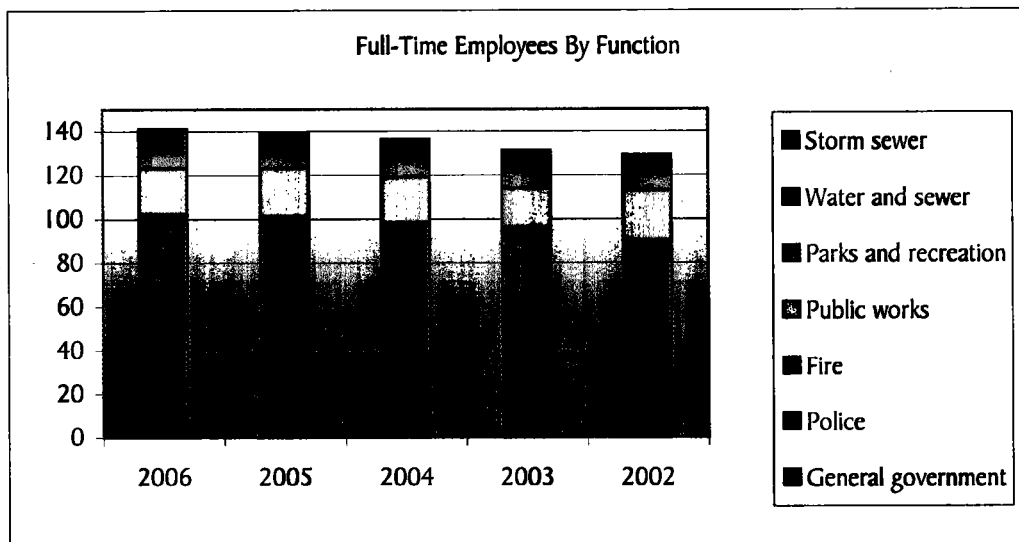
Source: Weber County Comprehensive Annual Financial Report 2005 & 2003

Note:

The Utah Department of Workforce Services provides employment information on a county basis. These are the largest employers located in Weber County. Roy City is the second largest city in Weber County. Comparative data from ten years ago is not available at this time.

ROY CITY CORPORATION
FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Five Fiscal Years

Function	Full-time Employees as of June 30				
	2006	2005	2004	2003	2002
General government	27	28	26	25	21
Public safety					
Police					
Officers	39	37	37	37	37
Civilians	5	6	5	4	4
Fire					
Firefighters and officers	30	29	29	29	27
Civilians	1	1	1	1	1
Public works	21	22	21	18	23
Parks and recreation	7	6	7	7	7
Water and sewer	10	9	9	9	8
Storm sewer	1	1	1	1	1
Total	141	139	136	131	129



Notes:

In 2003, three employees were reclassified from public works to general government.

Roy City began presenting these statistics in 2002. Comparative data prior to that time is not available.

ROY CITY CORPORATION
OPERATING INDICATORS BY FUNCTION
Last Two Fiscal Years

Function	Fiscal Year	
	2006	2005
Police		
Moving violations	2,491	2,455
Non-moving violations	3,585	3,459
DUI violations	106	106
Parking violations	767	1,148
Fire		
Number of calls answered - Fire	524	456
Number of calls answered - Medical	3,606	3,490
Inspections	450	334
Streets		
Snow removal and sanding:		
Miles	7,529	4,212
Hours	772	569
Asphalt resurfacing (tons)	1,735	2,200
Water		
Service connections	10,460	10,388
Water main breaks	32	15
Average daily consumption (gallons)	2,989,756	2,868,266
Aquatic Center		
Admissions	75,594	62,954
Complex		
Admissions	37,201	42,320
Classes taught	2,765	2,722

Source: Various government departments

Note:

Roy City began presenting these statistics in 2005. Comparative data prior to that time is not available.

ROY CITY CORPORATION
CAPITAL STATISTICS BY FUNCTION
Last Four Fiscal Years

Function	Fiscal Year			
	2006	2005	2004	2003
Police				
Stations	1	1	1	1
Patrol units	22	22	25	25
Motorcycle units	2	2	2	-
Animal control units	2	2	2	2
Fire				
Stations	2	2	2	2
Streets				
Streets (miles)	110	110	109	108
Curb and gutter (miles)	215	214		
Sidewalk (miles)	184	183		
Streetlights	791	791	777	772
Traffic signals	2	2	-	-
Parks and recreation				
Community centers	1	1	1	1
Parks	9	9	9	9
Park acreage	110	110	110	110
Covered picnic areas	14	14	14	13
Baseball/Softball diamonds	13	13	13	13
Soccer fields	11	11	11	10
Tennis courts	3	3	3	3
Swimming pools	2	2	2	2
Gymnasiums	1	1	1	1
Sewer				
Sanitary sewers (miles)	112	112	112	111
Storm sewers (miles)	79	79	78	73
Water				
Water lines (miles)	151	151	150	148
Fire hydrants	1,305	1,304	1,282	1,260

Source: Various government departments

Note:

Roy City began presenting these statistics in 2003. Comparative data prior to that time is not available.

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL
INCLUDING REPORTS REQUIRED UNDER THE
SINGLE AUDIT ACT**

Independent Auditors' Report On Internal Control Over Financial Reporting
and On Compliance and Other Matters Based On An
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Honorable Mayor and Members of the City Council
Roy, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Roy City Corporation as of and for the year ended June 30, 2006, which collectively comprise Roy City Corporation's basic financial statements and have issued our report thereon dated September 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Roy City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Roy City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, administration, the Mayor, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schmitt, Giffels, Simon; C.P.C.

September 1, 2006

Independent Auditors' Report On
State of Utah Legal Compliance

Honorable Mayor and Members of the City Council
Roy, Utah

We have audited the financial statements of Roy City Corporation for the year ended June 30, 2006 and have issued our report thereon dated September 1, 2006. As part of our audit, we have audited Roy City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort or earmarking; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

Liquor Law Enforcement
B & C Road

Our audit included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Special Districts
Other Compliance Requirements
Department of Commerce Compliance

The management of Roy City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted accounting standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying schedule of findings and questioned costs.

In our opinion, except for the instances of noncompliance listed in the accompanying schedule of findings and questioned costs, Roy City Corporation complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Schmitt, Griffith, Simon & Co., P.C.

September 1, 2006

ROY CITY CORPORATION
Summary of Findings and Questioned Costs
Year Ended June 30, 2006

Budgetary Compliance

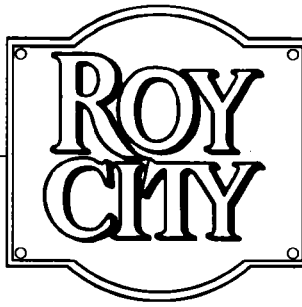
Finding #1: The expenditures in the Aquatic Center exceeded budgetary appropriations.

Recommendation: We recommend that the City not incur expenditures or encumbrances in excess of budgetary appropriations for any department.

Response: The fiscal year for the facility was longer than usual due to the day that the local school district ended for the summer. The Aquatic Center's opening week coincides with the end of the school year. Normally school is released after the Memorial Day weekend, this year it occurred before. Because of this, training sessions for personnel began about a week earlier than prior years. In addition, an appreciation day was held in the fall of 2005 for citizens helping on community projects. Once again, this required additional staff hours. Sufficient general fund revenues were available to cover the expenditures.

Mayor
City Manager

- Joe H. Ritchie
- Christopher G. Davis



City Council

- Margie B. Becraft, Larry Peterson,
Tommy Smith, Michael L. Stokes,
Dave Tafoya

October 24, 2006

Mr. MacRay A. Curtis, CPA
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E-310
P. O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis:

The financial audit for Roy City Corporation for FY 2006 has been completed and a copy of the Comprehensive Annual Financial Report included herewith. Also enclosed is the Survey of Local Government Finances for 2006.

As a result of the audit on general compliance with State guidelines, the City was found non-compliant in one area. The Aquatic Center was over budget for the fiscal year.

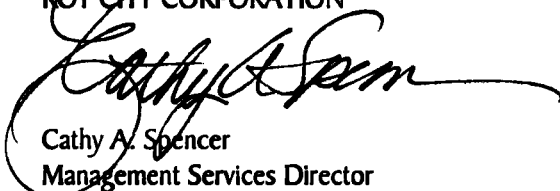
A few times during the year, the City has community projects that citizens donate their time to work on. As a show of appreciate for the volunteer efforts, the Aquatic Center is open for them to come in and swim for free. Normally the days set for the swims are before the Center officially opens for the season or after it officially closes. With the season starting earlier in May 2006 and a volunteer appreciate day that same month, the personnel costs exceeded budgeted expenditures. By the time the overage was noticed early in June, we did not have sufficient time to advertise and present budget adjustments to the City Council prior to their last meeting.

There was sufficient money available in the general fund to cover the overage. For the future, we will adjust the budget for salaries at the Aquatic Center to include volunteer appreciate days in addition to the regular work schedule.

If you have any questions or comments on this information, please give me a call at 801-774-1042.

Respectfully submitted,

ROY CITY CORPORATION



Cathy A. Spencer
Management Services Director

Enclosures